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AMERICAN MANAGEMENT ASSOCIATION

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FEBRUARY, 1955

The Management Review

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Business in '55: The Best Is Yet to Come!

THE YEAR 1955 will be the best in U. S. business history—barring war. By the end of 1954 the business upturn had burgeoned into a full-fledged recovery. *Fortune* now forecasts that business will continue to improve at least through the second quarter of 1956. The nation's output of goods and services should rise another $24 billion by mid-1956—i.e., the annual rate of Gross National Product should increase from $360 billion in the fourth quarter of last year to $384 billion in mid-1956 (in 1953 dollars) or a trifle more than 1 per cent per quarter. About $15 billion of the projected $24-billion rise in the annual rate of G.N.P. should take place in the next 12 months. Though the upswing will be slower than in 1949-51, and slower, too, than the upsurge during the past three months, it will suffice to make 1955 the best business year ever.

Total output in 1955 will be 4 per cent higher than in 1954 and 1 per cent higher than in the previous peak year, 1953. Industrial production should also be up 4 per cent from 1954.

The course of the business upswing in coming months may not be altogether smooth; much depends on business inventory policies and federal fiscal policies. Yet—as *Fortune* declared two years ago—there is "no weakness in the economy of 1955 that cannot be forfended by wisdom and cooperation on the part of government, and confidence and resolution on the part of business." This is still true today.

Here is *Fortune's* 10-point forecast of the elements in the economic equation that, taken together, should add another $24 billion to the nation's prodigious output in the next 18 months:

Defense. Outlays for defense declined by $8 billion during 1954 instead of the $5 billion anticipated. Spending has dropped from an annual rate of $52 billion in mid-1953 to $40 billion. At best, the prospect now is for a very slight dip in outlays—perhaps to a $38-billion spending rate by mid-1956.

The budget. There will be a deficit of some $3 billion in the cash budget this fiscal year (about a $6-billion deficit in the administrative budget). In fiscal 1956, however, the cash budget will be in approximate balance if Congress defers the tax cuts scheduled for April 1, as President Eisenhower has recommended. On balance, government spending at all levels should rise from $99 billion in fiscal 1955 to over $100 billion in fiscal 1957.

Capital outlays. Business spending for plant and equipment has stopped declining. This year capital outlays will total about the same as last year, according to *Fortune's* surveys of business plans.

Inventories. Business cut its stocks by $4 billion during 1954, a decline of 5 per cent, while end purchases of goods dipped only half that much.

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Thus most of the excess stocks built up during 1953 were disposed of last year. Business has already slowed its inventory trimming markedly, and as G.N.P. and final sales rise by 4 or 5 per cent a year, inventory building should increase to an annual rate of $3 billion by the end of 1955, and to $4 billion or so in the spring of 1956.

Construction. The building boom provided the strongest antidote to the 1953-54 "recession," and construction activity should contribute substantially to the 1955-56 economic expansion. Home building is not expected to rise much above 1,300,000 in 1955, though the *dollar volume* of building will probably rise slightly this year. Public-works construction increased by nearly $1 billion in 1954 (to $8.5 billion) and the spending rate will probably rise another $1 billion this year, and by an additional $2 billion each in 1956 and 1957.

Prices and wages. In 1955, for the third year running, prices and wages will change only slightly. Last year both industrial prices and living costs fluctuated within a range of less than one-half of 1 per cent. Farm prices eased 2 per cent, while wages rose about 2 per cent. But the wage rise was more than matched by the recovery of man-hour productivity from a slump in late 1953.

Productivity this year will rise at least enough to offset the pay increases of 5 cents an hour (3.3 per cent) that will probably be granted. Farm prices will not change much this year if the weather is normal. On balance, the cost of living will again be remarkably stable.

Income and savings. Last year both personal incomes and savings held within $500 million of the peak 1953 levels. This partly reflects the influence of the economy's various "built-in stabilizers," and these stabilizers will also tend to moderate the improvement in consumer spending from now on. The savings rate, which rose through 1953, declined during 1954 largely because installment debt repayments (which count as savings) eased last year. However, repayments will increase gradually in 1955 and especially in 1956. So the savings rate, now slightly below the recent "norm" of 8 per cent of consumer income, should rise a trifle. But the rise will probably not occur until personal taxes are cut again sometime in 1956.

Consumer spending. Outlays by consumers increased $6 billion during the "recession" year 1954 to an annual rate of $235 billion in the last 1954 quarter. They should rise $8 billion in 1955, and another $5 billion in the first half of 1956. The rise in spending, moreover, will be well rounded. Approximately one-third of all consumer dollars will continue to be spent for services. The rise in outlay for food, which slowed in 1954, should resume at a rate of 3 per cent a year to meet population growth and satisfy the demand for more and more "built-in" services in food—pre-cooking, pre-packaging, etc.

Consumer spending for goods rose 5 per cent from late 1953 to late 1954, and it should rise another 5 per cent by mid-1956. Non-durables will account for the bulk of the rise. As for durables, home-goods sales have been on the rise, and with so much home building, producers of appliances

and furniture now look for bigger volume.

Credit. Money was plentiful and cheap in 1954, but will tighten up a little this year. Although 1955 corporate tax payments will be lower, and profits and depreciation reserves higher, the demand for bank loans to business will probably expand because business will be increasing its inventories again. This demand for credit will probably curtail the commercial banks' ability to supply long-term funds to the capital market, though individual savings should hold up well. Meanwhile the demand for long-term funds will be heavy. Corporations may again finance a large share of their capital outlays internally, but the rising trend of home construction and public works will produce a strong demand for mortgage money and necessitate more state and local bond issues.

The credit outlook, of course, depends importantly on action by the Federal Reserve, which pursued a policy of "active ease" in money in 1954, and now may shift gradually toward a policy of just "ease."

All in all, interest rates will firm up. Relatively, however, money will continue fairly plentiful and cheap.

Exports. U. S. sales of civilian goods abroad rose from $12.3 billion in 1953 to $12.5 billion in 1954. They may rise another $2 billion over the next two years, with most of the growth coming in 1956. Economic and financial recovery abroad is not only increasing the demand for U. S. goods, but also enabling foreign countries to relax their trade restraints against them. Meanwhile the U. S. will be swelling the outflow of dollars. U. S. imports will increase this year and next as American industry chews up more foreign raw materials. More important, the Eisenhower Administration plans a substantial increase in aid to underdeveloped countries, particularly in Asia. Only a part of this aid will be direct government grants; the rest will come from various forms of private investment with government collaboration—e.g., export credits, World Bank loans, federal tax incentives or guarantees to overseas investors, etc. Thus, whereas in recent years the U. S. has been buying more abroad than it sold (apart from government gifts), an export surplus of at least $1 billion is likely by mid-1956.

—*Fortune*, January, 1955, p. 23:4.

AMA PERSONNEL CONFERENCE

The Midwinter Personnel Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, February 14-16, at the Palmer House, Chicago.

Employment Stabilization: Problems and Progress

For more than 20 years, the American people have been fascinated by the idea of stability as a general social goal. This interest is a natural one. Most of us who lived through the great depression were horrified by the hardship we saw or experienced then, and we want to do everything in our power to prevent another disaster of that kind.

This concern has given rise to a common interest—on the part of industry, labor and government alike—in the stabilization of employment, because we all understand that it is to our own interest that as many other people as possible be gainfully employed.

This unity is sometimes confused by discussions of such topics as the guaranteed annual wage. The guaranteed annual wage idea is an attempt to achieve stability of income for a certain group of workers. It is related to, but is far from identical with, stability of employment. Obviously, if we could achieve stability of employment on a wide and general scale, the problem of the guaranteed annual wage would automatically disappear, because stability of income must follow stability of employment. It is far from certain, however, that the reverse is true.

In recent years, as business people have talked about the problems of stabilizing employment, a number of alternative measures have been suggested. Perhaps I can best point up their possibilities—and their limitations—in terms of my own company's experience.

The first of these is product diversification. International Harvester Company has done a great deal of that, to the point where we are now engaged in at least six different industries. But what has been the consequence of all our diversification in terms of stabilizing employment? Frankly, I don't know. I can see how it has stabilized sales and income for the company and has created many more jobs. It has probably had some helpful effect on employment stability but I can't trace that effect and prove it.

If all our products were made in one plant, I am sure diversification would have helped greatly toward stability. But since our products are made in more than 20 plants, I consider it dubious. When the farm tractor market goes into a swoon, the employee in a tractor plant is not stabilized much because other employees in, say, the Refrigeration Division are at work on a relatively full schedule.

This idea of diversification led us, however, to another idea applicable to a multi-plant company, which does work—the principle of product balancing. This simply means that we try to put into a given plant the products which will give a year-round schedule of reasonably even employment.

It is our belief that product balancing or diversification within a single plant is a real help in job stability, but it is not a complete answer. One

reason is that the machines must be manufactured considerably in advance of their season of sale if they are to be distributed all around the country in time for use. We don't know what the weather will be, what the crop yield will be. So it is quite possible for us to find ourselves with a quantity of machines that considerably exceeds the eventual sales requirement. That means carrying over inventory that depresses manufacturing schedules and employment for the following year.

This brings me to a third source of a help in stabilizing employment—methodical forward planning, extensive market analysis, and precise inventory control. We make economic forecasts ranging two years ahead and adjust them at reasonable intervals. We constantly review all factors affecting the future market. But we can still be taken by surprise.

The principal reason for this is the mercurial nature of the buying habits of our farmer customer. When farmers decide not to buy they don't taper off. They simply stop. So again, the principle of forward planning is a help, but not a solution.

Another theory sometimes advanced for the stabilization of employment is the idea of deferring maintenance and construction work and doing as much of it as possible when times are dull. In our experience maintenance and construction work have seldom employed the same kinds of people as production work. Moreover, necessary maintenance can be deferred only so long without threatening a possible breakdown of operations, and new construction is not usually undertaken when times are bad.

Finally, there is the theory that one way to avoid sharp curtailments of employment is to avoid sharp increases in employment. Under this theory, in times of expansion and high production, we should subcontract more work and thereby avoid radical changes in our own employment. The idea is that when things drop back, we drop subcontracts.

This again is an idea that has some good in it, but is far from being an answer. For one reason, no company can be ruthless in chopping off its suppliers when the market turns down—not if it wants to have good suppliers when the market turns up again. For another, it is often true that the company itself can produce the needed items more efficiently and cheaply than any supplier. Finally, it doesn't seem to solve the public problem to preserve a steady workforce on the payroll of Company A but have wildly fluctuating employment in the plants of its suppliers, Companies B, C, and D.

These, then, are some of the ideas that we have tried and are still trying in my business.

In closing, I should like to mention three external factors which, it seems to me, have a critical bearing on employment stabilization.

One of them—and the smallest—is strikes by labor unions. I am not arguing against the right to strike. But I am trying to point out that under modern conditions a strike is like firing a shotgun into a crowded mass of people because you are mad at one of them. When anyone considers the general problem of stability of employment, the strike cannot be ignored.

The second factor that works against

stability of employment—in the sense that stability means making no changes —is technological development. I am sure everyone in this country will agree that if a certain instability is the price of progress, we have to pay that price.

The third and the largest factor that makes perfect stability impossible is the market itself. So long as the market is free—so long as any man can spend his money on the goods of his choice, or elect to keep his money in his pocket, we shall have instability.

I haven't got an answer to the problem of stabilized employment. I don't believe anyone else either has or will have such an answer. We cannot achieve complete stability. But we can and we will work toward stability as a goal. For, as I said earlier, this is one problem where we all see eye to eye, one situation where everybody's goal is the same.

—JOHN L. MCCAFFREY. *Modern Industry*, January, 1955, p. 31:6.

Consumer Confidence—On the Upswing

ARE CONSUMERS in an optimistic mood? To find out, the Survey Research Center of the University of Michigan recently conducted a survey of people's current intent to purchase major consumer goods, the things that are generally regarded as being "discretionary." Based on a random sample of 1,100 families, the picture it paints for U. S. business turns out to be a bright one. Here are the chief gleanings:

Though the inclination to buy has not yet reached the levels of late 1952, when consumer optimism was at a peak, it is apparent that consumers are in a buying mood that is slightly more buoyant than a half year ago, even more so as compared with a year ago.

Says SRC: "The outlook for sales of automobiles and large household goods for the next six or nine months, dependent of course both on consumer resources and consumer sentiment, is better than at the end of 1953."

Among the reasons advanced for this gradual recovery of consumer optimism during the past year, three stand out:

1. People are seemingly not insecure in their own jobs. In answer to the question about financial expectations during the next year, only one family in nine says that a year from now they expect to be worse off than at present.

2. More people now expect that business conditions will improve in the next year than expect they will be worse.

3. Price stability has played a major role in making many people feel that they are better off today, even when there has been no increase in income. Four times as many people as two years ago made favorable comments about the price situation.

The SRC researchers add one other hopeful note to their study: Although this survey concerns only major household items, they point out that "consumers' expressed intentions to buy automobiles and houses are consistent with their appraisal of buying conditions."

—*Business Week* 11/27/54

Progress in Voluntary Health Insurance Coverage

MORE THAN 100 million Americans—a record-breaking number—carry voluntary health insurance issued by private companies, the Health Insurance Council has reported on the basis of final results of its eighth annual survey on the extent of health insurance in the United States.

"The survey shows," said Council Chairman John H. Miller, "that people today have more health insurance than ever before. And aggregate benefit payments have reached a new high, up sharply from the previous year. Altogether, the survey figures foretell continuing progress at rapid rates in the foreseeable future."

As of mid-November, 1954, 103 million persons had voluntary health insurance against hospital expenses. About 88 million people now carry surgical expense protection, and 47 million have basic medical expense protection. These figures are based on a conservative projection of the 1953 year-end data presented in the survey, Mr. Miller said.

The total of benefit payments on health insurance claims reported by the survey for 1953 exceeded $2.5 billion—a gain of 20 per cent over the previous year. Of the total amount, more than half went to help meet the hospitalization expenses of beneficiaries, and more than $675 million went for operations and medical care. And benefit payments to policyholders by insurance companies for loss of income due to disability totaled more than $500 million in 1953, the survey reports.

The newest form of voluntary health insurance, major medical expense insurance, is shown by the survey to protect more than 1.2 million persons against the costs of catastrophic illness. This figure represents a gain of nearly 80 per cent during the past year.

—*Journal of Commerce* 11/18/54

The Case for Economic Education

SOME STARTLING RESULTS recently emerged from a nation-wide cross-section survey conducted by the Opinion Research Corporation among 1,100 manual and white-collar employees.

The employees were asked this question: "Which would you say has done the most to protect the freedom of the individual in this country—government leaders, union leaders or business leaders?" The answers: government leaders, 59 per cent; union leaders, 18 per cent; business leaders, 7 per cent; all three, 1 per cent; and no opinion, 15 per cent.

Another question was: "Which would you say has done the most to improve the living standards of the people in this country?" The answers: union leaders, 47 per cent; business leaders, 18 per cent; government leaders, 18 per cent; all three, 5 per cent; and no opinion, 12 per cent.

The answers seem to indicate that employees have little faith in business leaders. But answers to other questions refute that conclusion. The employees rated business leaders above government and union leaders in such categories as intelligent, forward-looking, fair-minded, capable, hard-working, energetic, trustworthy, honest, and truthful.

—*Washington Report* (U. S. Chamber of Commerce, Washington 6, D. C.) 1/7/55

Mounting Debt: A Danger Signal?

"NEITHER a borrower nor a lender be" may have been good advice in Shakespeare's time, but it is poorly adapted to the requirements of a modern industrial society. Business and government could not be conducted without borrowing, and the spreading ownership of homes, cars and costly major appliances has made it inevitable, and therefore respectable, for individuals to borrow as well. The availability of loanable capital represents one of the major reasons, in fact, for our high standard of living. Nevertheless, the sharp and practically continuous increase in indebtedness since the late 30's has been viewed by some as an important threat to the continued stability of the economy.

Total obligations of government, business and individual consumers, after excluding corporate and public debt owed to other institutions within these categories, has risen in every year except 1946—from \$179.6 billion in 1938 to \$585.5 billion in 1953 and an estimated \$617 billion at the end of 1954.

Most of the rise during the past sixteen years has resulted from heavy costs to the Federal Government of financing World War II. Net Federal debt amounted to \$40.5 billion in 1938 and approximately \$232 billion at the end of 1954. In the same period, local obligations rose from \$13.7 billion to around \$35 billion. Total public debt is thus at an all-time peak.

The same is true of corporate and individual debt. The former has risen from \$85.3 billion in 1945 to some \$186 billion; the latter from \$54.6 billion to \$164 billion. In the individual debt category, by far the greatest expansion has come in non-farm mortgage debt, which amounted to \$27 billion in 1945 (practically unchanged since 1933) and is currently about \$95 billion. Farm, commercial and consumer debt have also increased—the latter from \$5.7 billion to nearly \$30 billion.

Such a substantial growth in the obligations of all sectors of the economy cannot be lightly dismissed. At best, interest and amortization on the huge total seem to represent a direct subtraction from the sums which might otherwise be available for consumption or investment; at worst, a top-heavy debt structure could lead to a severe depression. But the former view is superficial, since interest and amortization represent redistribution of income rather than its extinction, and there are a number of good reasons for believing that the present volume of debt poses no serious threat of depression.

One is the fact that, on a long-term basis, its growth has merely paralleled that of the economy. Debt is now almost exactly \$500 billion larger than in 1918, but its ratio to Gross National Product for the immediately preceding year (173 per cent) was identical in both periods. Over the past 39 years the relationship of net debt to GNP has fluctuated between 150 per cent

(1920) and 303 per cent (1933), and has averaged about 190 per cent. Thus the existing ratio does not appear to be out of line, particularly in view of the expected rise in GNP this year.

Debt is most dangerous when incurred for speculative accumulation of inventories (as in 1920) or securities (as in 1929), or for acquisition by individuals of homes, cars, or other durable goods on a shoestring. Borrowing against inventories and securities is far from excessive today, though the low down-payments and lengthy amortization periods available to buyers of homes and cars could cause trouble later in the event of another business downturn. On the other hand, amortized mortgages and their insurance or guarantee by the Federal Government present a favorable contrast to the situation prevailing in the early Thirties, and if borrowings by individuals are high, so are their liquid assets.

The latter consideration applies to corporations as well. Corporate working capital amounted to $95.3 billion at the end of September, an amount comfortably in excess of long-term liabilities (the $186 billion figure cited earlier includes current debt). The absence of highly pyramided holding company structures provides an element of strength today as compared with earlier periods, as do the much lower level of interest rates and the much higher rate of corporate earnings. The two latter factors obviously make it much easier to service a given volume of debt. On balance, therefore, it does not appear that the nation has yet gone into the red so deeply as to justify serious concern.

—*Financial World*, January 12, 1955, p. 3:4.

Better Maintenance at Less Cost

AT DU PONT we believe that work measurement is the best way to determine the effectiveness of your maintenance department. It has given us many benefits. Our job methods planning program, using work measurement as an indispensable tool, has achieved major reductions in equipment downtime, a big improvement in levels of worker effectiveness, higher utilization of maintenance manpower, and lower investment cost for new or improved facilities. Altogether, we have found a reduction of $3 in maintenance cost can be realized for each dollar expended in work measurement.

The plan that the Du Pont engineering department has developed for the control of maintenance labor is called "job methods planning." It incorporates the following necessary elements of control: (1) a work order system, to supply the record; (2) standard time data, to provide the measure; and (3) proper organization, to evaluate the results and take corrective action.

The smallest Du Pont plant using maintenance work measurement has about 50 maintenance workers. The

largest has over 1,000. Obviously, a small plant must consider how it can write off installation cost and pay for administrative costs out of direct and indirect savings. The larger the plant, the easier it is to amortize installation cost.

We have applied work measurement to jobs requiring as few as two and as many as 3,000 man-hours. The size of the job is not as important as a clear definition of the scope of the work and availability of detailed plans.

Our coverage has run from about 50 per cent to 90 per cent. We find that patrol jobs (less than two hours) handled by area maintenance men are impracticable to measure. Nor can we cover emergency work, where time is not available for preplanning. The best coverage is in central-shop work.

Measurement by standard time data relies on the use of time study, just as it is applied in production operations. At Du Pont we establish the time values by time study of maintenance work as it is performed under normal conditions in the plant. We make field studies and record time values for each element of work. Also, we rate these values in accordance with the observer's estimate of the skill and effort of the worker. Unrelated foreign elements and delays are segregated. The results are worked up into a table of standard time data with the same care taken in establishing time standards for production.

We have also developed some of our standard time data successfully from predetermined motion time standards. These have proved valuable in filling in time values for missing or infrequently occurring elements that are not available from time studies.

Continuing improvements in methods, tools, and materials necessitate, of course, constant revisions to keep up with such changes.

Obviously, work measurement based on standard time data can be only as accurate as the application of appropriate standards. The best way, in our experience, to apply standard time values is the "analyst" method, which dovetails into the basic philosophy of our job-methods planning program. Our experience has proved that formalized job planning, daily scheduling, and weekly forecasting of maintenance work bring the highest returns in worker effectiveness, minimum downtime, and lowest job costs.

Standard time data and job planning are the corollary and distinguishing tools used in our job-methods planning program. Here's how they operate:

All work orders for plant projects and maintenance work are routed to one or more of the staff of job analysts most closely associated with that type of work. (Blanket orders, such as for lubrication or inspection, and patrol orders—area adjustments under two hours—are excepted.)

The analyst conducts a preliminary field review with the foremen and supervision to obtain agreement on the over-all job approach. He determines the best methods, tools, materials, safety requirements, and standards for manpower (by using standard time data). He writes stores tickets for needed material, and prepares work sketches or photographs to assist foremen and maintenance workers in visualizing the work. The result is a completely analyzed job written up in clear, concise, orderly form, with all

other necessary paperwork. It is forwarded to the maintenance foreman, who may record on the reverse side of the form any problems encountered in meeting the standard time.

We compute performance on each job by dividing standard time by actual time. From these accumulated statistics we compute weekly and monthly summaries of job effectiveness, which can be broken down by function or department. We hold bi-weekly meetings attended by analysts, foremen, and area engineers to discuss reasons for low effectiveness and ways to improve performance.

The analyst method provides the one essential element—an accurate and reliable forecast of job time—that has long been missing from maintenance controls. This element gives a sound basis for work scheduling, backlog control, crew-size control, and labor evaluation.

Sound standards, of course, must be paid for either by many thousands of hours of time study, or in the form of fees to consulting firms. In either case it may take several years to write off the original cost. Moreover, administrative cost is high. Each job analyst can cover an average of 18 workers, the exact number depending on the work. For example, one analyst on painting work can easily cover 35 to 40 men, but another on pipe work may have difficulty covering 15 men. Our analysts, however, devote only about 15 per cent of their time to the application of time standards. The rest of their day is utilized in job planning and related duties—which, in turn, gives the foremen more time for direct supervision.

—John O. Heritage. *Factory Management and Maintenance*, January, 1955, p. 86:8.

Why Workers Quit—A Statistical Analysis

THE MOST IMPORTANT sources of grievance when an employee quits his job are the pay and his supervisor, according to the findings of a survey recently reported in the *Journal of Applied Psychology* by Williard A. Kerr, associate professor of psychology, and Frank J. Smith, graduate student, both of Illinois Institute of Technology, Chicago.

The survey was based on the results of questionnaires received from "exit interviewers" at 48 companies throughout the nation which report 5,075 quitting cases yearly.

The survey returns indicated that almost two out of every five reasons for quitting involved pay. Next in frequency were transportation, promotion, working conditions, poor health, and job security.

The Illinois Tech researchers also found that the lack of "ability of the supervisor" appeared in four out of five patterns which were characteristic of why employees quit their jobs, and they felt that this was probably the most important outcome of the analysis.

As part of the research, results reported by the exit interviewers were compared with interviews of employees still on the job. When the latter were asked to state their main complaints, pay was again the big grievance, with working conditions also ranking high.

—*Personnel and Guidance Journal* (American Personnel and Guidance Association, Inc., 1534 "O" Street, N.W., Washington 5, D. C.) 12/54

Industry Dresses Up with Color

THE brown and gray uniformity that has long dominated the industrial landscape of America is giving way to splashes of bright color appearing for the first time on the pipes, plants, and towers of certain forward-looking companies.

This redecorating program is accomplishing some surprising results. For one thing, workers are taking more pride in their colorful new surroundings and are keeping the plants cleaner. Secondly, the use of distinctive colors to designate special equipment, to show what fluids are flowing through particular pipes, to warn of the presence of stairwells and other potential danger spots, and to aid visibility in dark areas, is proving a major factor in accident prevention. Light meter readings are as much as 20 per cent higher where the painting program is in effect. Night workers, particularly, are benefiting from their colorful new surroundings.

However, practical values are not the only consideration in these redecorating schemes. You also brighten a plant with color for pretty much the same reasons that you repaint a house. It's a pleasant change for the people who work there, and for those who live nearby. Employees have discovered that it's fun to work in a bright atmosphere, where pipes look like Christmas ribbon encircling vividly painted towers and roofs.

Among the leaders in this trend are the oil refineries. At its sprawling multi-million dollar plant in Baton Rouge, Esso Standard Oil decided a refinery needn't be grimy and ugly. Several months ago, as large units came due for another coat of paint, they sprang alive with combinations of beige, green, cream, and yellow.

Though the idea for this program originated among refinery personnel, it was recognized that some expert advice was needed before attempting a full-scale program. A recognized color consultant was therefore retained. After considerable study, he developed a chart containing 14 especially prepared colors, each of which would blend with the others. To these 14 colors, Esso added five more: Aromatic Orange, Fire Protection Red, Carseal Yellow, White, and Aluminum.

Using the 19 available colors, refinery personnel develop a paint schedule on specific units and tankage, review this with the color consultant and with the departments responsible for specific pieces of equipment, and eventually decide upon a definite painting plan.

A slightly different program is in effect at Esso Standard's Bayonne, N. J., refinery. There, the foreman and crew in charge of the particular building or piece of equipment to be painted are permitted to select the color to be used from a chart of 12 basic colors, in 25 gradations, drawn up by an architect and designed to harmonize with each other.

Plant officials admit that dressing up an industry costs a little more than straight painting. They feel, however, that the expense is justified by the results.

Adjusting Pension Benefits For Early or Postponed Retirement

PROVISION for early retirement—usually at the discretion of the employer or at the option of the employee with the employer's consent—is now a standard provision of most pension plans. It is found in over 90 per cent of the plans studied in 1952 by Industrial Relations Counselors, Inc., New York, in a survey conducted among 491 companies of all types and sizes, employing about 4.5 million workers of whom 3.5 million are now plan participants.

By far the most common provision for early retirement is to permit it during the 10 years prior to normal retirement age. Nearly three-fifths of the plans that authorize early retirement do so on that basis, but they cover only a quarter of the employees in such plans. A minority, about 20 per cent, of plans permit early retirement during some specified period of from three to 20 years before normal retirement date, but only after the completion of a certain length of service or, very infrequently, of plan participation. These plans include, however, about 50 per cent of the employees for whom early retirement is permitted. These supplementary service requirements are somewhat more common in non-contributory than in contributory plans.

Early retirement—since it reduces the period during which contributions are payable and interest is earned on accumulated funds, extends the period during which the pension may be paid, and may mean payments to an employee who might not live to the normal retirement date—necessitates a drastic reduction in the amount of the pension.

The difference between the benefit accrued at any age prior to normal retirement and what the benefit would have been at normal retirement will vary from plan to plan and from individual to individual in accordance with plan provisions, each individual's status under his plan, and other factors. But the reduction in the accrued benefit to provide an immediate benefit varies only slightly with differences in interest rates, mortality tables and related factors used in the computation of contribution rates. For example, under one fairly common group annuity schedule using interest at 2¼ per cent and the 1937 Standard Annuity Mortality Table set back one year, the pension payable at early retirement to a male employee aged 55—when normal retirement is at age 65—is "discounted" or reduced to 43.7 per cent of the benefit accrued to the date of early retirement. At age 60, this percentage would be 63.8; at 62, 75.7; at 64, 90.8.

Growing recognition of the need for special provision for the retirement of employees who become totally and permanently disabled prior to normal retirement age is clearly evi-

denced. In a comparable study of 347 pension plans conducted in 1938, Industrial Relations Counselors found only 7 per cent of the plans with such provisions; but by 1948 the proportion had increased to 14 per cent, and in 1952 to about 25 per cent. In 1952 this minority of 120 out of 491 companies included most of the very large plans and covered over 2.7 million employees, representing more than three-fourths of the total number of participating employees. Most of the plans which include this provision make employees eligible for disability retirement after a specified period of service, most commonly after 15 years, but there is a wide range in such eligibility provisions. Usually these requirements are somewhat less stringent than those for early retirement.

Of the plans providing for disability retirement, 45 are insured, 80 are trusteed; 62 are contributory, 63 are non-contributory. But these differences in type of plan seem to have no discernible effect on the stringency of the requirements for disability retirement nor on the liberality of the disability benefits. The most that can be said is that this type of protection is found somewhat more frequently in trusteed than in insured plans.

The least benefit a disabled employee could reasonably be paid is the accrued pension payable at normal retirement age but actuarially reduced because of the younger age at which it starts. Actually, a large majority of the plans provide more than this minimum. The typical procedure is to provide not only the accrued pension without any actuarial discount at all but even more than this amount, at least until age 65. It seems entirely reasonable to provide, as 50 of the 125 plans do, for larger disability benefits till age 65 with an adjustment thereafter in consideration, directly or indirectly, of federal old age benefits.

None of the plans paying only accrued pensions with the full actuarial reduction provide for minimum disability benefits. More than half of the others—55 plans with over 2 million participating employees—do provide such minimums. In 20 plans the minimums are payable for life; in 33, only till age 65, when the basic formula becomes controlling; in two, till age 65 with a reduced minimum thereafter. By far the most common minimum is from $50 to $60 per month until age 65. In 18 plans maximum limits are set on disability benefits.

Whether or not retirement is nominally compulsory at normal retirement date, most plans permit employees —perhaps only in exceptional cases— to be retained in service beyond normal retirement date, at the discretion of the employer. Continuance at work of employees eligible to retire raises the question of when their pensions should become payable.

In 353, or 64 per cent, of the 550 plans studied in 1948, the annuity commenced at retirement. Unfortunately, it was not clear in what proportion of them retirement could be postponed beyond normal retirement date. The Equitable Life Assurance Society found that the annuity begins at normal retirement age in about the same percentage of the 335 group annuity plans they analyzed and that retirement can be postponed in 76 per cent of those plans. In this last group, the annuity begins at normal retirement age in about 70 per cent of the plans and

does so without any reduction of the employee's earnings in about two-thirds of those cases.

In the 1948 study, the annuity was deferred until actual retirement in 197 plans (36 per cent of the total, but covering 67 per cent of the participating employees). This postponement of the annuity was somewhat more frequent in non-contributory and trusteed plans than among contributory and insured plans. In only 28 small plans, (25 of them contributory), covering 2 per cent of the participating employees is the annuity increased because of its postponement.

Between 1948 and 1952, 19 plans, under which annuities in all cases used to become payable at normal retirement age, changed this provision to defer the annuities until actual retirement. In seven plans the postponed annuity is increased because of its postponement to the actuarial equivalent, or some approximation of that, at the actual retirement date.

—WALTER J. COUPER and ROGER VAUGHAN. *Pension Planning: Experience and Trends.* Industrial Relations Counselors, Inc., New York, 1954. 245 pages. $5.00.

Company Group Insurance: Who Pays the Bill?

WHO should pay for the immediate cost of such employee welfare benefits as group insurance and pensions is a perennial topic of discussion in this era of fringe benefits.

During World War II, noncontributory group insurance plans for employees were quite popular. For example, 48 per cent of 189 group insurance plans studied in 1945 by the National Industrial Conference Board were financed solely by the company. A similar survey of 261 companies in 1949 (prior to the steel strike) indicated that only 20 per cent of the firms had noncontributory insurance programs. Data in a current study of 1954 practices seem to indicate that the pendulum is swinging back to noncontributory plans; approximately 40 per cent of the benefits for employees in this study are paid for by the company alone. Of course, part of the differences noted in these three studies may be due to differences in the sample of firms.

Information from 438 companies with hourly paid employees and 446 companies with nonexempt salaried employees provides a current picture of the methods used to finance the most important types of group insurance benefits. Approximately 90 per cent of these companies are in manufacturing—half produce durable goods and half nondurable goods. In terms of size, 15 per cent have fewer than 250 employees, 40 per cent employ 250 to 1,000 workers, 37 per cent employ 1,000 to 5,000, and 8 per cent have more than 5,000 workers. Data were collected in January, 1954.

The vast majority of the plans in the reporting companies provide the employee with hospitalization benefits (98 per cent), surgical care (94 per cent), life insurance (90 per cent), and accident and sickness insurance (85 per cent). The majority also pro-

vide maternity benefits for female employees (72 per cent), accidental death and dismemberment insurance (61 per cent), and in-hospital medical care (51 per cent). Only three types of group benefits are covered by less than half of the reporting companies: comprehensive medical care (23 per cent), polio insurance (20 per cent), and catastrophe insurance (4 per cent). One reason for the relative scarcity of the last three types of benefits is their very recent arrival on the group insurance scene. Polio and catastrophe group insurance were found in only a few firms as recently as five years ago. The growth of comprehensive medical insurance has been stunted, compared to that of in-hospital care, because of its relatively high cost.

In general, group benefits for employees are equally widespread among hourly and salaried employees.

Most companies which provide a given benefit to their employees also extend the benefit to the employees' dependents. One notable exception to this rule is life insurance, which only recently has been extended to dependents; only 5 per cent of the companies with group life insurance for their employees cover dependents as well. About half of the companies with comprehensive medical care and catastrophe coverage for employees also cover dependents. About three-fourths of the in-hospital medical and maternity benefits for employees also apply to dependents, and about 90 per cent of companies with hospitalization, surgical and polio insurance for employees extend this coverage to dependents.

About half of the benefit plans for employees are paid for by joint employer-employee contributions. About 42 per cent of the plans providing comprehensive medical benefits are jointly financed, while 56 per cent of the plans providing life insurance are financed jointly. Plans providing various other benefits fall within this range.

In general, group benefits for salaried employees are paid for in the same way as benefits for hourly employees. The same generally applies to their dependents' benefits.

About half of the benefit plans that cover dependents are paid for jointly by the company and the employee, as is the case with benefits for employees. However, a larger proportion of the plans covering dependents are paid for solely by the employee. For example, 35 to 45 per cent of the surgical, hospitalization, and comprehensive medical and polio insurance plans for dependents are paid for by the employee alone; only 15 to 25 per cent of these benefit plans for the employee are financed solely by the employee.

Employers shoulder the entire cost in about 40 per cent of the employee benefit plans. Here the breakdown shows a range of from 29 per cent for polio benefits up to 44 per cent for accidental death and dismemberment plans.

Only about 10 per cent of the benefit plans are paid for entirely by the employee, although nearly one-quarter of polio insurance plans and 15 to 20 per cent of the hospitalization, surgical and comprehensive medical care plans are financed in this way.

—Harland Fox. *Management Record* (National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.), November, 1954, p. 425:4.

Employment Agencies and White-Collar Recruitment —A Survey

FOR WHITE-COLLAR jobs, at least, private employment agencies are one of the best avenues to new employees. At any rate, that is the experience of 35 large New York companies whose employment practices were recently surveyed by the Commerce and Industry Association of New York.

As a group, the firms studied ranked use of fee-charging agencies one of the top two recruiting methods as a source of new clerical employees and staff and middle-management people. Moreover, the highest percentage of hires is reported for agency-referred applicants. Typically, firms appear to hire about one of every five people sent them by agencies.

Employer reliance on the agencies as a recruiting channel can be gauged by the fact that all but two of the 35 firms studied employ their services. Most of these firms consider their relationship with the agencies they use satisfactory—nine characterizing it as "excellent," 18 as "good," five as "fair," and only one as "unsuccessful." When they have vacancies to fill, 12 of the 33 firms normally list openings with not over three agencies. Most of the others, to the agencies' annoyance, habitually get in touch with four, five, or six.

Employer criticism of agency practices largely centers around their failure to do a better screening job on applicants. Specific complaints involved (1) agencies sending applicants who clearly demand more money than the firm has specified as its top figure; (2) the tendency of some employment services always to send someone around for an interview even though they obviously have no one who will fill the bill; (3) misrepresentation of positions in agency advertising; and (4) a general "failure to understand our standards."

Agencies, on the other hand, complain that some employers seem either to give nothing but the job title or to stipulate impossibly elaborate, detailed, and generally implausible qualifications. Employer prejudice against hiring older people is also a target of agency criticism. Another source of annoyance to agencies is the reported tendency of some firms, when making the final decision on an applicant, to apply new and very different yardsticks from those initially given the agency.

—*Personnel Management* (Commerce and Industry Association of New York, Inc.) 12/21/54

New List of BLS Bulletins Offered

A PUBLICATIONS PRICE LIST of bulletins issued by the U. S. Bureau of Labor Statistics, recently prepared by the New York Office of the BLS, comprises a complete bibliography of all bulletins issued by the Bureau over the nine-year period 1946-1954.

The bulletins are classified according to major programs of the Bureau —prices and cost of living, wages, industrial relations, employment and manpower, occupational outlook, construction, productivity, and industrial hazards—and within each program according to subject. For example, bulletins in the area of prices and cost of living are grouped according to retail prices, wholesale prices, consumer expenditures and other price bulletins. Out-of-print bulletins are so designated.

Single copies of the 16-page booklet may be obtained gratis from the New York Regional Office, U. S. Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

The Economic Frontier: Still Wide Open

WHILE opinions regarding short-term economic trends continue to differ, it seems to be generally agreed that over the next decade or more the American economy is likely to experience dramatic growth and development. A number of public and private agencies have issued forecasts or projections pointing in that direction.

Fairly typical of these optimistic reports is the one published recently by the staff of the Joint Committee on the Economic Report. It indicates that by 1965 the population of the United States will have increased by about one-fifth, output per manhour by nearly 40 per cent, gross national product by 50 per cent, and personal income per capita, after taxes, by almost one-third.

With due allowance for the uncertainties that beset economic forecasting, it is evident that there are good reasons for such expectations. The birth rate has been consistently high for about 15 years, while the death rate has been declining. Barring a drop in the fertility rate, of which there is no sign at present, the sharp rise in population may continue indefinitely.

At the same time, at both ends of the age scale there is an increase in the proportion of those who consume but do not produce. This means an important source of sustained demand, but also a growing financial burden on those of working age. Already many communities are finding their school facilities badly overtaxed. Within a few years the colleges and universities will feel the full brunt of a wave of young people. Still later the rising generation will be establishing families and starting the cycle anew. Meanwhile, the number of aged will continue to swell.

These population changes point to a growing economy but not necessarily a more prosperous one. A growing population may be moving either toward or away from an optimum relationship between human and material resources at the existing stage of technological development. As far as the level of material welfare is concerned, the real promise lies in technological development itself.

It is often said that man's command over nature, his ability to supply himself with material necessities and comforts, has increased more during the last 150 years than during the whole previous span of human life on earth. Some of the promises now held forth by those in the vanguard of industrial research would seem to indicate that even the phenomenal progress of the last century and a half may be overshadowed by that which is now in sight.

Chemists, for example, are discovering, step by step, how to transform cheap and abundant raw materials into substances possessing many desired characteristics. New metal alloys are being developed, with combinations of properties once considered unattainable. The compounds collectively known as plastics have given rise to new industries and opened new chan-

nels of consumer demand. The synthetic fibers, used alone or in combination with natural fibers, are meeting old needs with new effectiveness, besides finding new uses. Electronic devices have already revolutionized long-distance communication, but even this achievement seems small in comparison with the prospect of whole industrial processes operated and controlled by automatic mechanisms requiring a minimum of human attention. Most revolutionary of all, and perhaps most distant of all, is the outlook for general use of nuclear energy to fill the immense power needs of a mechanized industrial age.

The geographical frontier of the United States was reached many years ago, but the economic frontier seems as distant as ever. It will not be reached until men have no more unfilled wants, or until they come to the limit of their effort and ingenuity—or until they cease to believe that the prospect of satisfying the wants is worth the expenditure of the effort and ingenuity.

Two of these essential elements of the economic frontier—the wants and the ingenuity — are unquestionably present and cannot be easily destroyed. The third element—the knowledge that effort and ingenuity will bring their reward—is equally essential but less well assured. It will be present only if, in President Eisenhower's words, "we manage our affairs wisely and adhere to policies which evoke a maximum of private initiative and enterprise."

There is a vast amount of work to be done before these economic possibilities can become realities. This will not be routine work, nor will it consist in spending a stated number of hours per week at a desk or a machine, in return for a stipulated wage, and a pension at the end. It will not be done for the sake of "security." It will be done by men putting forth their utmost effort, physical and mental, in the search for the elusive secret that will open the door to a new product or a new process. Only a few of many will succeed, but those who do succeed will have contributed immeasurably to other men's wealth and welfare. There need be no fear that the discoverers' rewards will exceed their contributions. And unless the prospective rewards are ample, the necessary effort will not be made, and the new products and processes will not be discovered, or will be discovered much more slowly.

If progress fails to equal expectations, if signs of "secular stagnation" appear in the years ahead, the trouble will not be due to the vanishing of the economic frontier. It will be man-made. And it can be swept away by restoring the freedom and the incentives that enabled Americans, within the short space of three centuries, to transform a savage wilderness into the greatest economic power that the world has seen.

—*The Guaranty Survey* (Guaranty Trust Company of New York), December, 1954, p. 1:3.

EVERY CUSTOMER was once a prospect, every prospect was once a stranger. Moral: Get acquainted.

—*Burk-Art*

Effective Sales Forecasting: One Company's Approach

SALES FORECASTING has been called the "heartbeat of the industrial organization." And that's no exaggeration.

At General Motors' New Departure Division the sales forecast is the initial working tool for: (1) expense and profit planning and budgeting; (2) production scheduling; (3) inventory planning; (4) manpower planning; (5) equipment and facilities planning; (6) sales planning; and (7) establishing sales quotas.

Obviously, the very "pulse" of the company is set by the sales forecast.

New Departure's major product is industrial ball bearings, which we sell directly to original equipment manufacturers or to United Motor Service (another GM division), which sells to the industrial distributors who supply the replacement market.

There are three basic structural elements in a sales forecasting program: (1) frequency of preparation, (2) time period covered and (3) amount of detail included. Once these elements are established, the forecasting program consists of developing specific estimates within this framework.

How often the sales forecast will be made depends on the uses of the forecast information and, to some extent, on the length of time during which significant changes in basic information develop. We use monthly, quarterly and annual forecasts at New Departure.

Here are some of the sales forecasts employed in our organization, illustrating the variations that may be used:

1. Monthly forecasts, developed by the month for four months into the future and broken down in terms of units by individual product size and specification. This forecast is used for planning production schedules and inventories and is the basis for meeting customer needs.

2. Monthly forecasts, developed by the month for four months into the future and broken down in summary dollars by the end-use industry purchasers of bearings. Profit and expense plans are developed from this forecast.

3. Yearly forecasts for the next calendar year, broken down into units and dollars by individual product size and specification. This forecast is used in budget development, determination of plant facilities requirements, and establishment of sales quotas.

Periodically, our sales engineers determine their customers' future requirements, considering past usage, orders on hand, trends, and specific needs. As far as possible, this information is obtained directly from the customer during regular service calls.

Our salesmen obtain forecast information from customers informally. Each salesman is supplied with a specially prepared machine-tabulated report, showing customers' past purchases and present orders on the books for each bearing size.

The salesman uses this information as a guide in his discussions with the customers, and indicates his forecast right on the special report. In some cases, customers will review the report size by size with the salesman. Where the customer provides only a general indication of his business level, the salesman will use that information to work out the forecast for each bearing size.

In order to measure forecasting accuracy and establish performance goals, the orders from each customer are compared at the home office with the salesman's original sales forecast.

In general, the business level of most companies tends to follow the changing pattern of the nation's economy or some well-known segment of it. The economic analysis approach to forecasting is based on the use of this principle.

As a matter of procedure, you must first find some indicator of the nation's economy, generally a regularly published statistic of the government or some trade association, which past sales of the company have paralleled. After making a forecast of business as represented by that economic indicator, the historical relationship of company sales to the statistical indicator can be applied to estimate future company sales.

It may be necessary to modify the sales estimate in the light of changes in prices, in the general marketability of the company's products, or in the competitive position of the company or its customers. Finally, the statistical results should be tempered by judgment and experience.

The economic analysis technique is satisfactory for sales forecasting where extensive detail is not required from the standpoint of the time breakdown or nature of product information. When detail is needed, a method such as we use at New Departure may be indicated.

This involves breaking down sales history into the basic industry groupings to which the company sells. Each industry grouping is considered individually in following the basic procedure outlined above, except that the problem is multiplied by the number of industries being watched.

In general, sales forecasting methods break down into either one or the other of the above fundamental techniques. The selection of a specific technique depends upon the individual company needs involved, but in some cases it might be desirable to use both of these methods simultaneously.

Finally, it should be recognized that sales forecasts are not 100 per cent accurate, nor are they the answer to all questions about future business. However, as a guide to effective, positive action, the sales forecast is an indispensable management tool.

—ROBERT E. RANDEL. *Industrial Marketing*, January 5, 1955, p. 68:3.

EXCELLENCE is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit.

—ARISTOTLE

New Facts on Company Publications

HOW MUCH should a company publication cost?

The findings of a survey recently conducted among 15 companies by the Associated Industries of Cleveland suggest that in the Cleveland area (considered generally representative of U. S. industry as a whole) the average cost of a company newspaper is in the neighborhood of 27 cents per copy. The lowest cost reported—16.2 cents—was for a four-page monthly newspaper, 8½ x 11 inches, with a circulation of 2,000 copies. The highest was 92.8 cents, for an eight-page quarterly, 8¾ x 11¼ inches, with a circulation of 700.

A composite picture of all the company newspapers surveyed looks like this:

The paper is the responsibility of the personnel department. It is directed by a full-or part-time editor, who usually reports to the personnel director. The editor appoints his staff of about 14 employee reporters, plans the content of the paper, and writes his own editorials. The paper is published monthly and mailed to employees' homes. It has been in existence 11 years.

Among the companies surveyed by the AIC, the typical company magazine (which, unlike the newspaper, is bound and usually has a cover design) is a monthly, directed by a part-time editor who is responsible to the personnel director, the public relations director, or the industrial relations director. He has a staff of 20 reporters, usually appointed. Editorials are the work of company executives or are taken from outside sources.

Typically, the company magazine contains 16 pages, 8½ x 11, costs about 32 cents a copy (lowest cost reported, 16.6 cents; highest, 74.4) and is mailed directly to the employee's home. It has been in existence 14 years.

Give the Lady a Toaster

TO BRING the dying art of salesmanship back to its robust prewar vigor, many a company thinks that the trick is to enlist the aid of its salesmen's wives. International Cellucotton Products Co. puts out a 48-page booklet on how a wife can help her salesman husband get ahead. Others use such incentives as bonus vacation trips for entire families, in hopes that wives will keep their husbands working their darndest to win them. Recently the Clary Multiplier Corporation, of San Gabriel, California, announced a new gimmick: a telephone-quiz contest for the salesmen's wives on how their husbands are doing.

The company started a paid-vacation contest for division managers, then threw in the quiz to "spice up the program." The names of salesmen's wives who wish to enter the contest are written on cards, and each week four cards are drawn from a hopper. President Hugh Clary, or some other executive, then phones the wife and asks her how much business her husband has brought in so far that month. If she knows, she gets a free appliance (electric coffee-maker, toaster, broiler, etc.). Of the wives called so far, all have had the answer, to the penny. And Clary's sales went up 22 per cent in a single month.

—*Time* 6/14/54

The New Science of Records Management

WHEN SCIENTIFIC CONTROLS for paper work are lacking—as they are in most companies—an average of 65 cents of every dollar spent to house records is money down the drain. In other words, record keeping is only 35 per cent efficient. Moreover, the amount of paper snowballs into an unwieldly mass that strains every storage facility and makes it increasingly difficult to get needed information from the records hoard. And now, by speeding up clerical operations to a fantastic degree, developments in electronic equipment are threatening to inundate business under a flow of paper that will make previous accumulations of records look like drops in the bucket.

Fortunately for the company that wants to do something about this situation, a number of pioneers in records management have been quietly assembling an organized body of knowledge about records. Organizations such as the National Records Management Council have been observing, doing research, testing ideas, validating conclusions, and putting into working order the "pilot" installations of new records systems. They have demonstrated that industry can accomplish results like the following:

> Only 12 weeks after the Columbia Broadcasting System put a controlled record-keeping program in operation, its savings totaled $41,000. The 33 million pieces of paper previously crammed into its offices and files had been cut almost in half; 40 tons of paper had been carted away and sold as waste.

Suppose a conscientious executive wanted to duplicate in his own company (it could be a large firm or a small one) the achievement of CBS. Where should he begin? What should he do? How could he do it? What results should he aim for?

Unfortunately, there is no "handy home guide" that a well-meaning executive can follow to streamline his records and reduce costs. Only professional standards, research, and tested experience can provide him with a solid base for making decisions. Thus, management will ordinarily find itself dealing with specialists in the course of developing controls for paper work. One of the most critical junctures in a program occurs when the specialists come to management with their proposals. Just what should management expect of them?

Goal and timetable. In the first place, if a proposed program is backed by research and experience, management should expect a "balance sheet" of what the program will accomplish and what it will cost. It needs intelligent answers in advance to these questions: What are the specific objectives of the proposed program? What kind of work does it involve? How long will it take? How much will it cost? Who will do it? What tangible benefits will result?

Practical Demonstration. Secondly, management should be certain that the core of the suggested program is an actual installation, a going records sys-

tem approved and understood by the people who will work with it.

Continuing control. Finally, the proof of a sound program is the extent to which an organization can carry on successfully after the specialists have departed. The new paper-work controls should insure *continuing* efficiency, *continuing* cost reduction.

One of the key questions for management is: How many records *should* we have? Naturally, an organization's need for records depends somewhat on individual circumstances. However, certain "rule of thumb" ratios have been worked out on the basis of past experience and research which executives can use as professional standards, subject to local variation (note that one cubic foot of records is equivalent to about 2,000 pieces of paper):

Industrial operations (textile plant, aircraft factory, etc.)
- 1 cubic foot of records for each employee on the payroll

Government agencies or companies subject in detail to government regulations (public utility, airline, etc.)
- 5 cubic feet of records for each employee on the payroll

Specialized clerical operations (accounting, purchasing office, etc.)
- 10-15 cubic feet of records for each employee on the payroll

What are the costs of keeping and maintaining records under scientific controls? The savings over conventional systems are striking. As a professional standard, a model records center with prompt reference service need cost only 75 to 90 cents per cubic foot for a year. (These figures include costs of personnel, space, and equipment.) Compare this with the typical cost of maintaining records in the office, which is $7.50 per cubic foot per year, and with the average storage costs of conventional company systems, which is $3.00 per cubic foot per year, and the magnitude of savings becomes readily apparent.

While there are some problems of records management which company executives can delegate to specialists, there are other decisions which they must make themselves. These decisions often come up in connection with the installation of a new records program, the question of how long to keep the records, and the integration of the various systems and methods of records management.

Scientific records management usually means new methods, processes, and systems. Installing them may be a simple matter involving changes only in the way things are done, or it may necessitate new machinery and facilities. In either case, executives in charge of the operation will ordinarily need to choose between different alternatives. There is no "package solution" to a given records problem.

Once the record-making processes are established, the question arises: How long should the records be kept? Here again judgment should be used. However, no intelligent decision can be made on whether or not a specific record should be kept—and for how long and where—without having reliable and comprehensive information on (a) the legal requirements, (b) comparable company data, and (c) the company's own experience. Often, studies of actual usage—that is, the frequency with which reference is made to records and the purpose of such reference—point the way to developing a tight retention schedule both for office and for storage.

Compartmentalized, disjointed paper work breeds duplication and layering

of operations—which, in turn, breed needlessly high costs. A plant engineer would be pained by the idea of a nut being screwed into place by one worker on the line, then loosened and screwed in again by two more operators. Yet this sort of thing is common in paper-work processing, because the flow of paper from creation through processing to disposal is not viewed in its entirety. In taking an objective, realistic view of paper work, records management studies and treats it as a whole, as an integrated operation.

—ROBERT A. SHIFF and ARTHUR BARCAN. *Harvard Business Review*, September-October, 1954, p. 54:9.

How Good Is Your Filing System?

BECAUSE of a growing awareness that inadequate filing systems can be costly, executives increasingly are examining their records programs with a view to making improvements where necessary. For the average executive, though, who isn't quite sure "what's par" for a filing system, the process of appraisal is difficult.

The quiz which follows is designed specifically to enable the executive who isn't a records expert to appraise his records procedures accurately. Affirmative answers to Class A and Class B questions count four and two points respectively. A score below 32 for the 10 Class A questions indicates that your system needs reviewing. A grand total between 90 and 100 for all questions indicates that your system is a superb one, equalled by very few firms; 80 to 89, it is excellent; 70 to 79, it is good; 60 to 69, it is only fair; 50 to 59, it is poor; under 50, it needs immediate overhauling.

Class A

Are your filing systems simple (no codes or other obsolete techniques)?

Are the drawers uncrowded so that papers can be easily filed or removed?

Can the drawers be handled easily by merely pulling and pushing without lifting?

Are the folder tabs typewritten for easy reading?

Are the contents of the miscellaneous folders arranged in proper sequence?

Are all your records requiring it indexed for quick reference?

Do you have an efficient method of keping track of papers borrowed from the files?

Are your papers put into and taken out of the drawers exclusively by records department personnel?

Do you use a mechanical device for sorting papers (no wide-spreading in numerous piles)?

Is material collected at regular intervals from departments and desks of officials?

Class B

Are your records of common interest centralized?

Are routines in the records department streamlined to prevent duplication of effort?

Are your records coordinated so that

duplicate copies are not retained in various departments?

Are the cabinets compactly arranged to hold walking to a minimum?

Is the records department well lighted?

Are papers marked properly for filing, enabling quick correction when they are sent to the files prematurely?

Do your executives send papers to the files promptly (no accumulations in desk)?

Are only clear-cut, legible copies of forms and correspondence sent to the files (remembering that file copies are the ones used most often)?

Do you have a centralized follow-up system maintained by the records department so that papers needing future attention are brought up automatically?

Is your records department equipped with an up-to-date manual of procedure?

Are routines of the records department organized to minimize fatigue?

Are your procedures so designed that clerks from other departments have no excuse for visiting the records room and using it as a loafing place?

Are your records clerks carefully schooled in all filing routines through a well-planned training program?

Do you have a proper schedule of retention by which you are guided in disposing of stored records?

Are your transferred records indexed so that they are readily accessible?

Do you have a central control for all transferred records?

Are the credit files kept up to date and dead material weeded out?

Is your records supervisor given opportunities to discuss her department's problems with you?

Are all applicants for positions as records clerks given tests, including quizzes on alphabetizing?

Are personnel records kept confidential?

Is all information about each employee kept together?

Is your research matter indexed and cross-indexed by content?

Are all your executive files coordinated?

Are all your executive files indexed by content?

Are your board and committee-meeting minutes indexed so that all material on a given topic can be found quickly?

Are your technical books and other reference publications kept together as a library and indexed by subject, author, and title?

Are the purchase department catalogs indexed by type of product?

Is market information indexed by topic and thus made available as a source of new ideas?

Are your estimates indexed by type so that they can be used as bases for similar estimates?

Is the control of your records program in high-level hands (executive or committee)?

—*Record Trends* (Record Controls, Inc., 209 South La Salle Street, Chicago 4, Ill.), July-August, 1954.

ONE OUT OF EVERY THREE companies on the New York Stock Exchange now has a stock option plan for employees, reports *Time*. According to a survey of 263 company officers conducted last October, the average gain from this plan amounts to $83,000 per man.

How Big Are Executives' Expense Accounts?

MOST EXECUTIVES—at least the top marketing executives who make up *Tide* magazine's 5,000-man Leadership Panel—have surprisingly small expense accounts. This is how much they spend each week:

20 per cent of the Panel files a weekly expense sheet (excluding expenses for travel and conventions, etc.) of less than $10.

29 per cent—the largest single group of respondents—has a weekly expense account between $10 and $15.

26 per cent list weekly expenses between $25 and $50.

18 per cent of the Panel run up an expense account every week between $50 and $100.

Only 5 per cent put in for expenses that fall between $100 and $200.

A scant few—2 per cent by actual tabulation—have an expense account exceeding $200 a week.

Many executives, of course, incur business expenses for which they are not reimbursed—either because of policy, conscience or faulty mathematics. *Tide* asked its Panel how high non-reimbursed expenses average per week. The reply: 6 per cent spend less than $5 weekly; 19 per cent spend between $5 and $10; 17 per cent put out between $10 and $15 each week; 10 per cent spend between $15 and $20; and 8 per cent expend somewhere between $20 and $25 weekly. A whopping 26 per cent—more than one out of four—spend more than $25 in business expenses for which they are not reimbursed. The remaining 14 per cent of the Panel report that they incur no expenses for which they aren't recompensed.

—*Tide* 12/4/54

Forgive Us Our Debts

COIN AND CURRENCY of the realm is no longer needed either in business or personally—for almost everything is now available on credit. It's even possible to go around the world on the installment plan—and this is no mere figure of speech. As a matter of fact, a definite stigma attaches to the carrying of cash: It is an indication that you are either a shady character or too poor to be in debt.

Anything from a house to a safety pin can be purchased on the cuff. You can arrange for deferred payments, partial payments, periodic payments, staggered payments, token payments or earnest payments (forerunner of stop payments). They are all described as "easy" payments. The latest gimmick, called an open-end mortgage, provides for perpetual payments. If you pay off $100 at one end, it makes you eligible to borrow $1,000 at the other. Obviously, finance and mortgage companies do not care whether they ever get their principal, so long as you keep paying interest. In fact, in a pinch they will lend you enough additional money to cover the interest.

This is not so silly as it sounds. We have simply broadened our horizons, economically speaking. Having demonstrated that debt is not a liability but an asset, we are in the process of proving that borrowed money is actually income. We spend not only what we have but what we have not. Since what we have not is limitless and indefinite, it's obvious that spending on such a basis also has no limitation.

This is known as the "purchasing power theory." We're not quite sure we understand it—but then, we don't understand nuclear fission or the fourth dimension either.

—*Arizona Progress* (Valley National Bank, Phoenix, Arizona)

Adding Time to Your Working Day

THERE'S HARDLY a business man who doesn't have a favorite time-saving device—some formula for adding vital minutes to his working day. Here is an assortment of noteworthy "time-savers," used by a number of business leaders and successful administrators, that might prove valuable to any busy executive:

Robert Smallwood, Lipton Tea's president, finds that schedule variation often works: "If you have an extremely full day, try a heavier breakfast than usual, skipping lunch until three p. m. This gives you six full uninterrupted hours—worth eight broken ones. Or eat a heavier luncheon and dine at nine p. m., avoiding breakup of your afternoon activity. The straight-through routine can often create an extra half-day for you."

Bernard Baruch says: "I find my greatest timesaver is to do one thing at a time and stick to it until finished. I never have been able to do two things at once. Some people can, and very well. It takes mental discipline not to leave it half done—but if you learn to finish, you'll use time and energy to best advantage."

James E. Robison, the youthful president of Indian Head Mills, takes the opposite viewpoint: "I once thought I had to settle every matter then and there, but in struggling with individual situations, I often missed really important things. Then I concluded that many of these annoying trivia were of no real consequence. Now I deliberately toss such items into a special 'procrastination drawer.' When it fills, I go through, find that 75 per cent of the problems have solved themselves. Sometimes judgment errors produce squawks. The trick, however, is to gain time by determining what you can skip."

J. Wilson Newman, president of Dun & Bradstreet, suggests: "Never undertake what you can delegate; never do anything someone else can do better and faster. It's personal vanity, business folly, and time-wasting to imagine you have to do everything yourself."

Still another view comes from Alonzo Flack, partner, The Emerson Engineers, prominent management counseling firm: "Plan ahead on paper the things you have to do. Pencil-jotting and thinking through can often cut actual work time in half. And the top-notch workers are usually those who follow a planned and relaxed, rather than an efficiency-decreasing, pressurized pace. Study your own repetitive tasks. Then develop improved routines and teach yourself to follow them. Truly efficient routines are comfortable—they help keep your mind free for more important ideas. Write down the things you want to accomplish in order of doing, the toughest first. Then carry out your objectives as planned. Postponing wastes precious minutes."

Real-estate tycoon William Zeckendorf makes this suggestion about telephoning: "Instead of doodling, use waiting time to make notes, draft or sign letters, prepare lists and other minor but time-consuming chores."

Mrs. Anna Rosenberg, first woman Assistant Secretary of Defense and wartime Manpower Chief, advises: "Simply refuse calls at certain periods so you can complete necessary tasks uninterrupted. Grouping calls, incoming and outgoing, after first noting what you want to say, cuts chatter and gives far better results. Listing times when people you call are regularly in and least busy will save that call-back, busy-signal routine."

Secretary of Labor James Mitchell finds these ideas helpful: "(1) Always carry a few postcards in pocket or purse for friendly informal notes, orders, requests. You'll write when you think of it; not make time-consuming notes or forget. (2) Save brain-wracking time by having a few good form letters. (3) Get a rubber stamp or little stickers with name and address; no need to write this constantly on letters, packages, coupons, bills."

James B. Lee, leading Danbury hat manufacturer, says he learned to save an hour daily by refusing to ponder hard decisions late in the day or evenings at home. He explains: "I tear off one page of my office wall calendar at the end of the day because there's no use worrying about that day any longer. Holding action until a fresh morning-after examination usually brings the right verdict. Worry about yesterday's cares, or tomorrow's adversities, is the greatest time-waster."

On the other hand, Alfred E. Lyon, board chairman of Philip Morris, has found he's often able to obtain group decisions by scheduling meetings at 4 p. m. "Since most people are anxious to get home, those who just want to talk usually hold gab to a minimum. Result: Frequently subjects which might take three hours if tackled in the morning are settled in one hour or less at day's end."

—Roy Josephs. *This Week*, November 28, 1954, p. 8:3.

On the Ant

The ant, a prodigy of strength,
Lifts objects twice his weight and length
And never stops or sighs or glowers
Because it's after working hours.
Though underground, he bears the onus
And peril without thought of bonus,
And never once is heard to mention
Retiring on a tax-free pension.
Nor does he frown or look askance
At other, lighter-burdened ants.
Not one to bicker, blame, or sob,
Not angling for a better job,
The ant has but one flaw I see,
To wit, he doesn't work for me.

—Richard Armour. Reprinted from *Light Armour* (McGraw-Hill Book Co., Inc. New York).

Labor Tries On Long Pants

HIS NAME is Joe Williams. He's a college graduate in his early 30's, with a wife, three children and a seven-room house for which he paid $24,500. He looks like a successful salesman for U. S. Steel or a promising junior executive at General Motors. He's neither; he's a union official.

Actually, there's nothing too unusual about his presence in the union movement any more, but he deserves mention because he epitomizes the changes that have taken place in organized labor since 1937.

The Joe Williamses of 1937 probably would have been with U. S. Steel or GM. The organized labor movement of that day was young, immature, a bundle of random activities. Its leadership was tough and often pro-Communist. Admittedly, this was sometimes largely due to business management's too-frequent primitive concept of industrial relations.

Today, that state of affairs is the exception, not the rule.

Many industrialists contacted agree that the most heartening change in labor in the past 17 years has been its more statesmanlike attitude. Industrialists also commend the trend toward true collective bargaining. One electrical company's industrial relations expert points out: "The unions we deal with don't run to Washington for back-door help as much as they used to. They don't threaten us with gimmicks like the sit-down strike any more. I think they are more aware that they can hurt their own cause with too much federal intervention, too much gimmickery."

More unions are willing to participate in local dispute-settling agencies, too. The labor-management-public committees in Louisville and Toledo to stop strikes or prevent them are strongly backed by unions.

Also a notable advance from 1937 is the responsibility of union leaders. They will now admit some areas where reform is needed. The AFL-CIO no-raid pact is one union-initiated attempt to clean its own house. Organized labor has also taken the initiative in throwing out Communists.

What's the explanation of the trend toward more labor statesmanship? Management is more enlightened. Labor has greater maturity. Jurisdictional disputes are handled better. The labor laws and their interpretation by NLRB and the courts have encouraged more stable contractual relations. The changing economy, especially in the past year, has forced the development of statesmanship.

Progress has indeed been made, but industrialists—and labor leaders—see where more is needed. Here are some more suggested reforms:

Measured output. It's still a tacit policy of union leadership not to "kill the job." The lives of workers with exceptional production rates are too often made miserable until their output slips down to the "normal level."

International pressure. The international frequently forces locals to in-

sist on some demand because it's headquarters' policy. More local autonomy is needed.

Poaching on management. Many an international appears more concerned with winning a clause that gives it a foot in management's door than with winning actual benefits for the workers. Unions should not limit management's movement of equipment and men.

Democracy. Labor must give its members more voice in formulating demands, a greater say about striking.

"Juniority." Labor contracts and union policy tend to favor the senior members. For example, many contracts call for a reduced work week for all in case of declining business. Needed is a compromise, perhaps like the current UAW plan of writing contracts providing a reduced work week for a while, then layoffs.

Reform in these six areas must be initiated by top union leadership. Enlightened union officers—and there are lots of them—recognize that they will help their own cause by cleaning their own house. That's why they are attracting more Joe Williamses, to help labor get into long pants.

—*Steel*, Vol. 135, No. 10, p. 49:2.

Anti-Communist Provisions in Union Constitutions

DURING VARIOUS PERIODS in its history, the labor movement has combated the Communist influence in different ways. Of fairly recent origin is the widespread adoption of formal constitutional provisions barring Communists by specific mention or by general bans against subversives.

Formal provisions barring Communists from international union office or having that effect were found in 59 of 100 national or international union constitutions recently analyzed by the Bureau of Labor Statistics. The word "Communist" was specifically incorporated in the restrictions contained in 47 of the 59 constitutions. The remaining 12 contained anti-subversive provisions without specifically mentioning Communists.

In 40 of the 59 unon constitutions, anti-Communist provisions applied to union members, 25 referring specifically to union members only, and 15 to both members and officers. The remaining 19 constitutions directed anti-Communist curbs against officers only. Most constitutions provided that anti-Communist provisions would be enforced through local union trial machinery when members were involved, and through trials held at the international union level when international union officers were involved. At the international union level, the general executive board or a similar executive body usually conducts such trials. A few unions had special trial procedures for enforcement.

Two international union constitutions specified that locals failing to enforce anti-Communist bans might have their charters revoked. In several others, the international president and the general executive board were empowered to take jurisdiction or to reopen cases whenever it appeared that locals were not stictly enforcing such bans.

—WILLIAM PASCHELL and ROSE THEODORE in *Monthly Labor Review* 10/54

Current Trends in the Employment of College Graduates

THOUGH the shortage of engineers and other technically trained personnel has received considerable attention in the past few years on the part of both industry and education, demand still far outbalances supply, and many college recruiting programs are directed primarily at filling vacancies in these classifications. Meanwhile, the numbers of non-technical men to be hired from college graduating classes continues to level off, as it has in the past few years. For all types of college personnel, however, average starting salaries are higher at present than they were last year.

These are some of the major trends that emerge from the ninth annual survey of personnel policies and practices in the employment of college graduates, recently completed under the direction of Frank S. Endicott, Director of Placement, Northwestern University (Evanston, Ill.). The survey results are based on replies received from 152 prominent companies that regularly send representatives to selected campuses and maintain close cooperative relationships with placement directors.

Current recruiting goals—in terms of the number of graduates, both technical and non-technical, to be hired this year—have risen by almost 10 per cent over the number hired last year, according to average figures for 145 reporting companies. The total number to be recruited—if needs can be met—from the fields of engineering, chemistry and physics is up almost 19 per cent over the number hired last year; in comparison, total recruiting goals for all other fields have risen by only 2.2 per cent—and this increase is almost entirely accounted for by the need for more men in sales. These comparisons, it should be noted, do not necessarily indicate a rise in employment as of this year; in some cases the higher estimates result from the fact that companies were not able to recruit as many college graduates as they needed for certain jobs last year and they hope to make up for the difference when they return to the campus in '55. The need for college women, as reported by 51 companies, continues just about the same, with hiring goals for these companies set at a total of 1,181 this year as compared with 1,239 hired last year. As in the past, more than half of these openings are for secretarial jobs.

Starting salaries are uniformly higher than they were a year ago. The average for engineering graduates is $361 per month, as compared with $355 last year; for accounting, $332 as compared with $325 last year; for sales, $336, as compared with $328 last year; for general business trainees, $327 as compared with $322 last year; and for other fields, $347 as compared with $345 last year. Starting salary averaged for all fields now stands at $341 per month—five dollars more than a year ago.

As might be expected, an increasing percentage of top executives in industry are college graduates, and a college degree—as the following figures indicate—has become almost "standard equipment" among younger executives. Of five company presidents over age 70, three were college graduates; among 44 presidents age 60 to 69, 27, or 61 per cent, were college graduates; for 55 presidents age 50 to 59, the figure rises to 76 per cent; and among 21 younger company presidents, age 40 to 49, 100 per cent are college graduates! The total number of vice presidents reported for 123 companies was 1,211—and of these, 73 per cent were holders of college degrees.

As for the progress made by college graduates after they are hired, a comparison of the starting salaries of men hired five years ago with their present salaries indicates that the typical graduate has doubled his income in the five-year period. The outstanding men hired five years ago now earn, on the average, 240 per cent of their starting salaries.

Selling the Personnel Department to Employees

"How do you 'sell' the personnel department to employees?"

Here is a question that dates back to the beginnings of modern industry, yet the answer has always been somewhat elusive.

That the personnel department or industrial-relations department is a "service" organization no one denies. But whether it should "wait for business" or go out and sell itself to rank-and-filers is easier asked than answered.

The trend, however, seems to point to the latter approach. More and more personnel executives are coming around to the view that their operations must not deteriorate into mere record-keeping repositories in the eyes of workers and foremen, but be a place where real employee problems are solved.

The "selling" techniques in number and variety are legion. Every alert industrial-relations head has his own brand of approaches.

For example, Bullard Company (Bridgeport, Conn.) moved a personnel desk right on the factory floor. At scheduled hours of the day, personnel assistants man this desk and give "on-the-floor" service to employees who, for one reason or another, might not bring their problems to the main office. This has also proved to be an efficient way to maintain a liaison between personnel and line operations.

Even more ambitious is the program at the Hartford Machine Screw Co. (Hartford, Conn.), which is based on the following principles:

1. *Start with the foremen* by convincing them that the personnel department is no threat to their prerogatives. Example: When the company launched a supervisory development program, an entire session was devoted to "Functions of the Personnel Department—Ways It Can Aid and Help Foremen." Foremen were encouraged to recognize the fact that

the personnel department was their partner, not their competitor, in employee-relations matters.

2. *Personnel men must be seen more than heard.* And it's more effective for them to be seen right out on the factory floor.

Examples: The personnel director of Hartford Machine Screw makes it his business to tour the factory at least once a day. If he can't make it, his assistant does. When he makes his tour, he carries a pencil and pad—it encourages employees to stop and ask him for service.

On every employee's birthday, the personnel director goes into the shop to say "happy birthday" personally and shake his hand.

Group insurance checks are not mailed to the employee's home. Instead, a member of the personnel department personally visits the worker and delivers the money.

3. *There's no greater publicity* for the personnel department than the quick handling of a problem. When a worker has something on his mind he wants speedy action. Example: An employee was transferred to another job and he felt that his rate was too low. The foreman checked with personnel; as soon as the personnel department discovered that the employee was right, he was called at home and told that a correction was being made immediately. The man was on the night shift, but personnel did not wait until he came in to give him the good news.

4. *Prove to the employee that the personnel department can help him with "outside" problems.* If you can do this, you'll make a permanent friend. Example: An employee moved into a new community and was overheard by his foreman telling another that the tax assessments were too high. The employee wanted to start a taxpayers' committee made up of himself and his neighbors, but didn't know how to go about it. The personnel department called the company lawyer, got the information, and passed it on to the employee, who told all the other workers how nice it was for the personnel people to go out of their way to help out.

5. *Participate actively in the induction of workers.* While foremen are assigned to a considerable amount of indoctrination, the follow-up procedures should be handled by personnel. Example: After a new worker has been with the company for 10 days he receives the following little message in his pay envelope, signed by the Director of Personnel Relations:

> On every job, problems arise that call for a solution. We can help you with your problems when you tell us about them. Usually your foreman can help you. It is suggested that you see him first.
>
> However, if you wish to discuss your job or personal problems with me or anyone else, you are urged to do so.
>
> No problem is too small. The important thing is to tell someone about it who can help you.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), December 1, 1954, p. 12:3.

WHEN THE American Arbitration Association polled management on the question: "Do you prefer a three-man or one-man arbitration board for settling disputes?", 79 per cent favored the latter.

—LAWRENCE STESSIN in *Mill & Factory* 11/52

White-Collar Pay Hikes Level Off

THE YEAR 1954 marked the turning point in a trend of snowballing pay increases for office workers, according to a recent report by the National Office Management Association. NOMA figures show that office salaries have skyrocketed an average of 53 per cent since 1947—in some cases as high as 70 per cent. The average private secretary today, for example, is earning 66 per cent more than she did eight years ago.

Though clerical wage rates on the whole continued upward during 1954, NOMA reports the increase to be much smaller than any of the annual gains scored during the preceding seven years.

The turning point in the trend was spotted in an eight-year comparison of figures made by the Association's technical staff. Comparison figures were taken from office salary surveys NOMA conducts each year in cities throughout the United States and Canada.

Using averaged figures covering seven specific clerical jobs in eleven different cities, this was the salary trend that emerged: In 1947, 1948, 1949 and 1950, there was a two-dollar average increase over each preceding year. In 1951 the average clerical salary gain was three dollars. In 1952 another three dollars was added. In 1953 the figues jumped to four dollars. Then last year, the average increase dropped to only one dollar.

Commenting on this slackening in white-collar pay increases, A. H. Gager, head of the NOMA technical staff, viewed it as "a possible indication that the severe shortage of clerical workers which has existed in the postwar period has been at least partially alleviated."

Personnel Policies for Office Workers—A Survey

MORE EMPHASIS on communications techniques is the most significant change in personnel practices for office workers in the past two years, the Federated Employers of San Francisco reports. The association's biennial survey shows that 83 per cent of office employees receive employee publications, compared to 71 per cent two years ago. Employee handbooks are more common, too; more than half the employees now are provided with them.

"Upward" communications devices likewise are in greater use. For example, terminal interviews are used by about four-fifths of the firms surveyed, as against two-fifths two years ago.

Here are some other areas of personnel policy in which changes are noted:

Vacations are more liberal. More than three-fourths of all office employees get two weeks' paid vacation after one year of employment, and almost one-half get three weeks after 15 years.

Pension and welfare plans are more common. Pensions now cover 86 per cent, and group health plans 94 per cent of employees.

Merit review salary plans now cover 86 per cent of office employees. Most of these are definite plans involving periodic review of the employee's performance.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 10/21/54

Inventory: How Much Is Enough?

INVENTORIES and the problems involved in their control are broad and complex, and they vary considerably from one situation to another. They cannot be dealt with simply on the basis of physical quantities and specific values, but must be reckoned with in broader terms. To the owner of a specific inventory, this means they must be evaluated in relation to plant capacity, to current and near-future sales prospects, to cash available for inventory investment, to the inventory practices of direct competitors, to the profit results being obtained, and to the current and near-term future volume of sales to be serviced.

At American Cyanamid Company, we have made numerous studies to determine the cost of carrying inventories. Each time we come up with a different set of figures and each set of figures we have seen as computed by outside experts is also different. The reason is obvious. Different sets of inventories involve a different set of costs to carry. We do, however, find a range which can be accepted as applicable to varied classes of inventories. We believe that range is within a 12 per cent to 20 per cent annual cost, the lower percentage applying to standard goods which do not deteriorate or go out of date. A number of outside studies of company practices support our conclusion that this range is within reason. But think of the cost! To carry each $1,000,000 of inventories the profit and loss account is charged each year by anywhere from $120,000 to $200,000!

What is an "optimum" inventory? We know from experience that when we are operating on a plateau of high business activity for many months or years, the eventual recession will catch our enterprise and all business with large inventories which must be disposed of at a loss. In the reverse situation, inventories are usually insufficient to meet the upsurge in business which eventually follows. Filling orders is delayed until labor forces are built up and trained, sales losses occur, and we lose the appreciation in value on the upswing in costs.

In our company, the responsibility for inventory control policies starts with top management. The carrying out of these policies is passed on to divisional or departmental executives who are assigned specific operating responsibilities. Divisional executives are given full responsibility and are charged with producing satisfactory results. Quotas on inventories in dollars and in quantities are established for each inventory location. These quotas are flexible, depending on current and expected future sales, and are arrived at in cooperation with division executives. Comparative reports are prepared to show whether results are in line with the quotas. Studies are made continuously of each inventory to pinpoint any excessive build-up or shortage of first-line stocks and particularly any accumulation of off-grade, obsolete or slow-moving stocks. These are watched until they can be disposed of to the best economic advantage.

I feel that it is a serious mistake to give sales people direct responsibility for inventories. When this is permitted, inventories almost always become excessive and greatly unbalanced. Sales people should have their "say" on inventories, but some hard-headed fellow, who has responsibility for production and sales well as of inventories, should make the final decisions. In our case that fellow is the divisional manager.

We back him up with the facts and statistics, and his judgment is always measurable against actual sales results of sales staff. To this end, we have a central inventory committee of which I, as Budget Director, am the chairman, with representatives of the operating divisions and of the purchasing and treasurer's departments as members. This committee has no authority to determine specific inventory levels. It has the responsibility of developing the facts and of providing these facts to divisional executives on specific and over-all inventories, as well as of providing top management with a record of accomplishment and future plans on inventories to make certain that management policies are carried out. Moreover, each of our operating divisions or major plants has an inventory committee, consisting usually of representatives from the plant manager's office and purchasing, production, engineering and accounting departments. These committees operate generally in a way similar to the head office committee and provide all parties concerned with copies of minutes of their meetings and such reports, analyses and recommendations as are found helpful in keeping inventories under control.

These groups are in an excellent position to keep close contact with (and to assist in training as well as acquainting with current policies) all plant personnel who have a responsibility in the maintaining of and creation of inventories. Thus responsibility for inventories is spread over a large percentage of managers and employees. Among those participating are purchasing agents, engineers, department heads, sales executives and salesmen, production executives, plant managers, schedule clerks, production superintendents, foremen, and warehouse and stock clerks.

In practice most companies strive to keep inventories in line with current sales. But what is needed is to maintain inventories in line with *future* sales needs, i.e., those of the immediate future. The basis for forecasting future sales starts with the establishing of a trend line based on past performance. In well-managed companies it is possible to go back over records and to establish ratios of inventory to sales. By making necessary eliminations and additions, a normal inventory ratio can be estimated. The next step is the forecasting of sales and proper inventory levels for future operations.

In forecasting future sales, especially near-term, it is important to give consideration to the inventory history and current position of industry as a whole, with emphasis on stocks of competitors. An over-inventoried status for competitors can presage an industry-wide sales decline that will carry the company's sales down also. It may be in for considerable price-cutting and dumping of stocks on a ti...id market. If you are aware of such a situation

in advance, it can be improved by arranging to be low in stocks of old-line products and by proper timing of an aggressive promotion campaign on new products or redesign of old products.

To project probable future sales a great deal of statistical information is necessary to evaluate where business stands in relation to the top of a boom or the bottom of a recession. Some of the important guides to management may be mentioned here. Trends of buying by consumers as above or below normal in relation to consumer savings and current disposable income can be established. This will help to tell whether consumers are in an "over" or "under" inventory position. This type of simple statistic represents the kind often ignored in the evaluation of future sales. Disposable consumer income must also be measured, and such "outside" factors as taxes taken into consideration.

But how do we determine the exact point when peak sales are reached in a booming business period and when the bottom is reached in a period of recession? We do not believe anyone, except by sheer luck, will ever hit either the peak or the bottom exactly. By constant study, we find it is possible to recognize the plateau rather than the peak, and the valley rather than the bottom of a recession. We are giving a great deal of time and effort to this most important point of control of our inventories—more than to any other phase or problem of control. To the extent we are eventually successful in these studies, we will be able to establish real control at the right time—that is, before raw materials are purchased and before production schedules are prepared.

—V. R. Bechtel. *N.A.C.A. Bulletin*, Section One, November, 1954, p. 345:7.

Scrap Disposal: Employees Become Company Customers

GOOD HOUSEKEEPING operations at Carrier Corporation have become profitable ventures for employees as well as for the company. Salvage is an important part of good housekeeping, because the salvaged material may be sold. Among the customers are the employees themselves, who can purchase lumber, insulation and other materials at nominal prices.

The purchase system works this way: If an employee sees material marked with a scrap tag and wants to buy it himself, he applies at the scrap dock to have the purchase billed to him. He then takes the bill to a cashier's cage within the plant, pays for the material, and brings the receipt back to the scrap dock. A gate pass is issued so that he may take the material home with him or make arrangement for delivery.

To aid in the housekeeping and salvage operations, containers of various sizes and styles to accommodate different types of scrap are placed throughout the plant. Thus scrap items are automatically sorted when placed in the proper disposal bins. In 1953, more than 26 million pounds of scrap metal were sold to Carrier employees and outsiders.

—*Management Record* (National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.) 10/54

Tips On Picking A Brand Name

LITTLE INFORMATION is available in print or otherwise, on the practical aspects of choosing a brand name for a new product. Even if they have seldom been explicitly recognized and followed, however, four basic principles relating to the selling and promotional value of the brand name can be helpful to any advertiser facing this particular problem. Here they are:

1. Pick a name that will appeal to the prospect quite apart from the backing your advertiser will give it. Here are some examples of brand names graded by their impact on the prospect:

Negative: DK for a dentifrice; Granite for hosiery; Ghiradelli for chocolates (people couldn't pronounce it).

Neutral: 4711, Dreft, Kreml, Nucoa, for example, serve for identification only.

Positive: (1) general term for quality —A-1, Gold Medal, Sterling, Aristocrat; (2) suggesting looks or composition— Blu-White, Ivory, Palmolive; (3) pleasant word—Cheer, Good Humor, Joy; (4) suggesting action or benefit of product— Easy, E-Z, Brisk, Reddi-Wip; (5) abbreviated sales talk—Duz, Eatmor, Renuzit, Sta-Neet.

If your suggested brand name rates a minus, realize that you'll have to spend extra promotion money to overcome this negative quality. The name that you pick from some foreign language, any word that's hard to pronounce or that might be pronounced in different ways—that's a minus. Forget it.

If it rates a zero—does nothing one way or the other—don't say to yourself: "Well, look at Kodak. It didn't help sell all by itself. But what sales!" True enough that a good product backed by consistent promotion will put almost any name across.

If it rates one of the subclasses under plus, bear in mind that (3) (4) and (5) are much more effective than (1) or (2).

One well-known advertiser, Sinclair Refining Company, recently studied several suggested names for a new product using a psychological technique—a word association test. Users of the type of product to be named reacted to each of the suggested brand names with the first word that came into their minds. These studied narrowed the 24 proposed names down to three, from which the final choice was made.

2. *Pick a name that has graphic possibilities and will adapt itself to striking design.* Usually a short word, say four or five letters long, will be better in this respect. Think of the picturization possibilities too!

3. *Consider how the well-designed brand name will look on the package.* Will it have display dominance? Here's another reason for a short name that will lend itself to bold treatment, a style that will stand out on the dealer's shelf display and will be impressive in television as well as in reproduction of printed promotion, posters as well as magazines, newspapers, merchandising publications, direct mail and package enclosures.

4. *Choose a brand name that will make a favorable impression.* Some trademarks are a disadvantage to promotion and sales. They require an extra effort, and extra expense in advertising to overcome their dead weight or even the un-

favorable impression they make. Look for suggestions in the meaning of the word you choose that will tie in well with copy and illustration for advertisements. And remember that frequent repetition of the brand name is almost inevitable.

What advertising support does a trademark name need? Roughly, the answer is twofold: First, a wisely chosen brand name will actually have some promotional value, so that it won't require as much advertising expenditure as a product with a neutral or negative brand name. Second, the right brand name that feeds and leads into good copy increases the value of advertising and so reduces its relative cost.

—*Printers' Ink*, Vol. 248, No. 4, p. 38:3.

How To Tap the Negro Market

TODAY the Negro market is huge and profitable. Census Bureau figures show that Negroes' total income has quadrupled since 1940. Their median income has shot up even faster. For nonwhites (96 per cent of whom are Negroes) the median annual income has risen almost four times—from $489 in 1939 to $1,943 in 1951—while the income of whites has increased less than three times—from $1,325 in 1939 to $3,673 in 1951. Over-all, the Negro market is estimated at $15 billion a year.

Such figures are making business men everywhere sit up and take notice. They are paying more and more attention to the long-ignored Negro customer, notably in the South, where two-thirds of the 15 million U. S. Negroes live.

The Birmingham *News* recently made a survey showing that that city's 130,000 Negroes (40 per cent of the total population) have an average family income of $1,849 a year, and are regular buyers of everything from baby food to electric refrigerators. To help tap this market, some Southerners have begun employing Negro salesmen—e.g., a Negro hired by a Packard dealer in Charleston, S. C., sold two new and three used cars in his first 15 days. The month before, the entire staff had sold Negroes only four used cars.

Some 374 U.S. radio stations now broadcast special programs to sell to Negroes. Some employ Negro disk jockeys to chat about Negro social life and play records that Negro fans request. But any mention of race is taboo. One hair-lotion manufacturer wanted to begin a commercial: "Attention Negro women!" but was promptly turned down. The station manager knew any such blatant approach would alienate listeners.

Ads in Negro magazines are the same as in other slick magazines, except that models are usually Negroes. This ad field is growing so fast that Manhattan's Batten, Barton, Durstine & Osborn hired a Negro two years

ago as special consultant on the Negro market, and has since boosted its accounts in the field from two to 40.

Market surveys show that the Negro customer responds best to an advertisement emphasizing quality and prestige. A long history of exploitation makes him wary of cheap, shoddy goods. Thus, a Negro buyer is likely to spend more of his salary on high-priced goods than a white man. A tobacco company aimed an ad campaign at the Negro market and, taking into account his lower income, featured its 10-cent brand. The campaign flopped. Ad men found that Negroes, resenting the implication of economic inferiority, had gone right on buying their favorite top-quality brands.

The economic rise of the Negro has not only helped break down many segregation barriers; it has also helped dissipate the widely held belief that Negro customers are necessarily poor credit risks. In many stores Negroes still find it hard to get credit. But the Credit Bureau of Greater New York makes no distinction between races, and the National Association of Real Estate Boards says Negroes keep up house payments faithfully. For the first time, Dallas insurance companies have started to buy up mortgages in a development of new homes built for and purchased by Negroes.

In New York and Chicago department stores sales clerks treat the Negro shopper the same as the whites. Some Southern stores are also beginning to pull down the barriers—e.g., quietly passing the word that from now on Negroes are to be addressed as "Mr." and "Mrs."

The Negro shopper, retailers have found, does not want special handling. The trend toward equality of purchasing power with whites is helping him find the same equality at the sales counter. Most retailers feel that even in Southern stores discrimination will disappear gradually, wiped out by the legal pressure against segregation and the economic rise of the South. Eventually, the Negro market will merge into and become undistinguishable from the over-all market.

—*Time*, Vol. LXIV, No. 1, p. 70:1.

Industrial Defense—A New Planning Guide

MEASURES INDUSTRY should undertake to protect itself against the new dangers and risks of the atomic age are reviewed and discussed in *Job for Management*, a booklet recently published by the Business and Defense Services Administration, U. S. Department of Commerce.

The special industry task group that prepared the booklet advises that each company's defense plan cover:

1. **The protection of employees and facilities.**
2. **Continuity of management and technical know-how.**
3. **Continuity or resumption of essential production after an attack.**

Copies of the booklet may be obtained without cost from the U. S. Department of Commerce, 14 Street, Between Constitution Avenue and E Street, N.W., Washington, D. C.

—*Washington Report* (U. S. Chamber of Commerce), 12/31/54

Tomorrow's Challenge to Office Management

Too many office managers and supervisors seem to approach their jobs in the most negative way. Ask them to state the objective of their assignments, and they say, "To reduce, to cut, to eliminate, to shrink up"—in other words, to die. Would it not be better to say: "To perfect the office until it matches the plan in efficiency and productivity"?

Demands for the services the office provides are mounting, and will continue to mount. The office will not shrink; it will bulge. Increased paperwork demands upon business from all levels of government will require a corresponding increase in office work. Growth of business itself will have the same effect. With a 12½ per cent population increase expected in the U. S. by 1960 over the 1950 figure, it will require tremendous business expansion just to take care of these millions of additional consumers. Finally, new methods and machines in the office bring more demand for services from the office—services which couldn't have been considered in the past. From here on in, the office manager has got to be good.

Business, as we have it, is run to make money. But the office manager can get pretty far away from this basic idea, because his department produces no income. It is easy for him to fall into the trap of striving to live within appropriated allowances and to forget the real objectives of the company. How, then, can he assume a real part in company policy and over-all management?

Actually, the office manager has two distinct jobs. As a line manager, he hires and fires, gets production out, and worries about the million-and-one details of keeping the office going. But he is also a staff man whose work conditions, directly or indirectly, the decisions of top management.

The office manager might well think of himself as a salesman. Too often, most of his selling is done down the line. He sells retirement benefits to his people; he sells company rules; he sells getting the work done. He neglects selling up the line—to top management. He must let them know what he is doing, how much he can do, as well as what it would be foolish for him to attempt to do. No one refuses to see a salesman who has a product that will produce a profit.

Let's think about some situations that face today's office manager.

Turnover is much talked about. There are all sorts of figures showing how much it costs to lose a trained person and make a replacement. Sometimes you wonder, though, if strict adherence to job evaluation and wage controls is compatible with the turnover problem, especially in a department where everyone reached the top of his wage bracket some time ago, and instead of a happy group of people making progress, you have an unhappy group bucking a dead end.

What can be done about it? The answer lies in the constant efforts of the manager to train all his people for up-grading and to promote laterally;

find new jobs for his good people and have a planned turnover as part of the obstacle course he is running. If he doesn't, he will be in trouble.

Another item is morale. Morale varies directly with the amount of work on hand—up to maybe 110 per cent of capacity. A clerk with not enough to do, or with too simple a job for his capacity, will not have self-respect or any of the symptoms of what we call morale. But with just a little more than he can handle, he becomes a man who can think his way through the job, and whatever he suffers from, it won't be lack of morale. Morale is not the result of fancy frills but, ultimately, of leadership.

Again, controls offer a wide area for today's office manager to do a real job. Ask any V. P. if he would like a weekly report on how many times the widgets were washed and the effect of adding sodium chloride, and he will say yes even if he doesn't know what a widget is. Of course, he will only look at the first report without understanding it, and by the time he gets the 156th report, three years later, he will be criticizing you for putting out meaningless reports.

While it is true that some types of reports and statistics must be kept exact, some are used only as rough gauges and thus do not warrant the time and cost involved in preparing exact figures. For most reports, a general finding is all that is needed. Scientific sampling, which permits predictions to be made within a determinable range of error, can save a great deal of time in such instances.

Another big part of the office manager's job is equipment. The question of what equipment to get for a specific job is not an easy one to answer. Then why not let the person who is to use it make the decision, so long as quality and price are competitive? Nor is it wise to wait for the perfect piece of equipment to be invented. The equipment makers are moving too fast. Make sure what you do is sensible and competitively priced, then go ahead.

A thought on layout. Everyone personally wants the best office possible. Remarks like, "I don't care where they put me," are just lies, defensive statements made so that the person will not be humiliated if the private office or the favorable location does not materialize. In layout work, proceed on the assumption that everyone wants the best possible setup he can get. Give as much as you can. Often the cost of little concessions to individuals is very slight—and it means a lot.

The field of office management as a whole is just getting started. The office manager who molds his job into two distinct activities—staff to the top, and line within the department—is on the right track.

The staff work needs salesmanship up, and mature, executive planning. The line job needs leadership, characterized by a detailed knowledge of the job to be done, a knowledge of what is going on in other companies, the latest developments among suppliers, a knowledge of what the professors are writing on related subjects—and above all, managers who will insist that the dignity of each of their people be preserved.

—George B. Paul. *Office Executive*, December, 1954, p. 11:3.

Organizing for Efficient Traffic Management

OUR ANNUAL transportation bill at the U. S. Rubber Company is a tremendous one. We pay freight charges on some 30,000 different items manufactured in 40 factories across the country and on supplies bought from over 12,000 vendors. Since, despite this high volume, most of our traffic management problems are basically the same as those faced by any manufacturer or distributor, some of the principles and procedures we have developed might prove useful in other companies.

1. *Proper choice of plant location* can mean thousands of dollars saved in freight charges, particularly if shipping and receiving facilities are to be erected at the new location. In one instance our Traffic Department effected annual savings of over $40,000 by recommending that a factory be located within the railroad "switching limits" of a certain town.

2. *Pinpointing the warehouse location.* Before deciding on the warehouse location for storing branch stock, the traffic manager should consult with the carriers you plan to use. He may then be able to suggest a location which permits lower distribution costs based on, for example, possible carload rates to "break-bulk" points. In our company this has been known to save over $100,000 a year.

3. *Moving the plant.* Shipping via the most efficient carriers and following a carefully worked-out schedule will save valuable time and avoid confusion. Traffic can help on both counts.

There are many other ways in which traffic can help management get the most out of its distribution dollar.

Consider, for example, the experience of a gas stove manufacturer who was shipping his products to Texas in carload quantities. The firm's traffic manager discovered that he could secure a much cheaper rate, based on a higher minimum weight per car, by adding a few accessories to the stoves in each car. In addition to savings in freight costs, the company enjoyed a virtual monopoly on the gas stove business in Texas for two years, based on lower prices, before competition could figure out why.

Another example is that of a large distillery which achieved savings of $400,000 a year by taking advantage of a railroad rule which allows a lower charge for goods which are "processed in transit." The distiller was able to ship in corn, make whiskey from it, then reship the by-product—spent grain mash—which is a dairy feed commodity. In this case, close coordination between departments dovetailed purchasing of the raw material, production schedules, and delivery to the customer to bring about the savings.

Unfortunately, there is no formula for efficient traffic management that can be applied in all companies. Perhaps the best general axiom is the one we follow: For flexibility, let the traffic director answer directly to the

president—and give him enough help to do his job.

While our Traffic Department is admittedly organized along "big-company" lines, the functions assigned to our various traffic divisions should be performed by even the smallest companies. These are as follows:

The Service Division is responsible for moving employees by rail, air, and bus. It also handles household moves, hotel reservations, and the administration of the company airplane.

The Operating Division supervises the movement of in-bound raw materials and handles claims for loss or damage to raw material shipments.

Our Rate Division files rate proposals with carriers and analyzes the movement of goods to determine if rate negotiations should be started. Freight bills are sent to this department for review and claims are prepared and filed if overcharges are found.

The Consolidation Division instructs our factories on how to consolidate small shipments into full truckload or carload lots to move traffic at the lowest cost.

Two Foreign Divisions are responsible for (1) freight sent to overseas customers and factories, and (2) imported raw materials.

Finally, there is the custom clearance function. Clerks in the general office are usually assigned to a particular commodity division (tires, textiles, footwear, etc.) or to a form of transportation (truck, railroad, steamship) so they can become intimately familiar with special problems. They maintain contact with the widely scattered plants by way of teletype network and direct tie-line telephone.

The Keds rubber footwear factory provides a good example of how the Traffic Department of a small company might combine these functions. When a survey revealed that orders were being shipped directly from the plant to their destinations, instead of being consolidated with other orders headed in the same direction, the Consolidation Division developed a "share the ride" plan for freight. Then the Rate Division worked out the carload rates to various key cities—the "break-bulk" points beyond which the load would be broken up and distributed by motor carriers, also carrying pooled loads. The Operating Division assisted in determining the routes which required the least time-in-transit.

The same system also works in reverse, when basic raw materials are shipped into factories. Partial unloading occurs at one factory, final unloading at another.

Large firms usually face the formidable task of maintaining two-way communication with traffic personnel throughout the company. One way that the General Traffic central office reaches branches and factories is via a weekly traffic letter. This letter contains a digest of pertinent information compiled from transportation publications, as well as items of general interest which need not be sent by direct communications to individuals.

Conversely, in addition to a regular monthly summary report, the general office receives a *daily* shipping report from every factory. This form contains such information as the number of packages, weight, kind of material, destination, and routing of shipments

to and from each factory. As an additional control, communications between factories are funneled through the general offices, too. By channeling this form through the General Traffic Manager and all departmental divisions, a clear picture of daily operations is obtained.

—Ross W. Bennington. *Management Methods*, November, 1954, p. 19:3.

Fourteen Points of Safety

OUR SAFETY PROGRAM at Ford Motor Company is cost-minded in that it seeks the most in accident prevention for each dollar spent—but it never will attempt to put a price tag on the life or well-being of an employee. Our safety program is production-minded and recognizes that only high productivity and volume sales can keep the company healthy and prosperous—but safety is not subordinate to production; it is an integral part of the productive process.

Our safety program has 14 points:

1. Get management at all levels behind the safety effort.
2. Encourage active participation of supervisors.
3. Have at least one full-time safety engineer for each manufacturing and assembly plant.
4. Sell safety to new employees.
5. Re-sell safety repeatedly.
6. Maintain firm plant discipline.
7. Build safety into the job.
8. Get the safety engineer's approval on new equipment and plant layout and design.
9. Insist on eye protection for all employees and visitors.
10. Require permits for all employees in jobs that might endanger others.
11. Re-examine permit holders regularly.
12. Maintain good plant housekeeping.
13. Report all accidents promptly.
14. Use all available media for safety publicity.

—John S. Bugas in *National Safety News* 1/55

DETAILED, UP-TO-DATE statistics on employment, hours of work, weekly and hourly earnings, and turnover in over 300 industries throughout the nation are now brought together in *Employment and Earnings*, a new monthly publication of the U. S. Bureau of Labor Statistics. Subscriptions to the report, which also includes data on hours and earnings for the 48 states, the District of Columbia, and over 100 metropolitan areas, may be obtained at $3.00 per year from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Single copies vary in price.

Today's Secretary: A Global Survey

TRUD, the Soviet trade union newspaper, has denounced a stenographer named Irene Gregoriovna. She was caught making forty-nine personal telephone calls to her friends and relatives in a single day, causing static on the party line. What's more, says *Trud*, Irene's devotion to prettifying her face cost the Government eight hours of her time a month. The Union of Soviet Socialist Republics was pretty darn fed up with her nonsense.

Judging from reports by *New York Times* correspondents in foreign cities, Irene the Moscow stenographer and the girls in the West could coexist peacefully in each other's posture chairs.

Take the matter of the telephone. In Rome some employers feel that outside telephoning helps office morale, and they go along with it. In Paris, phoning goes on only in those rare moments when the boss isn't on the *qui vive*. In London, where secretaries are given more responsibility than anywhere else in the world, theoretically they're so busy and so dedicated that they have no desire to waste their own time by phoning. Girls in Belgrade have this advantage: One of their tasks is pouring *slivovic* for the boss and his visitors, and they make their calls while he's tanking up.

In North and South America outside phone use is tolerated. The phone call home is common; but in some New York offices use is restricted to emergency calls. Work practically stops on Monday in Buenos Aires while the girls chat with friends about what successes they scored Saturday night. Most of the girls haven't got phones at home, but the whole family—and they have big families—knows the office number. The number is passed out freely to any new admirer to insure future dating.

When the phone isn't ringing, the secretaries do a day's work—of varying hours. In Rome and Paris a regular 40-hour week prevails, but with fat two-hour "lunch" hours. Austere London has the straight eight-hour, five-day week. "Administrative employees" (as secretaries are called in Belgrade) work from 7 through to 2, with no break for lunch. In Mexico City many offices work through to 2:30, do not reopen till 5 or 6, and close again at 9. In New York and other American cities, where secretaries average 40 hours a week, whether or not you work on Saturday seems to be one test of a good secretarial job.

Again, consider the extra-curriculars:

Tea-making is such a ritual in the London office for boss as well as secretary that elevenses and sometimes fiveses are considered part of the job. In Rome romance adds sparkle to coffee breaks at 11 and 5, continued after work by a *passeggiata*. Belgrade permits the girls to dip into the office supply of cigarettes and drink Turkish coffee brewed on the premises. In Buenos Aires practically all offices have a break for coffee around

10 and another at 5 for tea. In New York, the ubiquitous breakfast-in-a-bag (container of coffee, one sugar, cream on side) is *de rigueur* in the first sleepy half-hour at the desk.

Flirting, winking and loving on office time are frowned upon in most places except Rome, where the assumption is these make for office efficiency. London secretaries and their bosses keep at arm's length, and, anyway, British secretaries are adept at the brush-off. Statistics, still being compiled at press time, show reasonably little of what the British call "hanky-panky" in the office.

New York secretaries manage to work in—according to the slightly exaggerated view of one employer—telephoning, coffee, tea *and* hanky-panky during the day, yet still get their work out. Here's how this employer clocked his girl:

9:55—Arrives, winded.
10:15—Coffee carried up from luncheonette.
11:15—Applies nail polish remover.
11:30—Works.
11:55—Begins calling around town for lunch date.
12:30—Visit to powder room.
12:45—Lunch.
2:35—Returns from shopping on other side of town; brings back sandwich.
3:05—Works.
3:55—Checks leads for dinner date. Connects.
4:30—Applies nail polish.
4:45—Puts on face.
5:05—Overtime.
5:10—Departs, exhausted.

All this, and a salary, too. For a good secretary the pay in Paris is \$100-\$145 a month; in Rome \$100 a month (Milan industrialists say all the good secretaries have left to work for U. S. movie companies); in London \$30-\$35 a week (roughly equivalent to \$65-\$70 in purchasing power compared to New York), and much less in South America. New York secretaries make between \$60 and \$100 a week.

—Herbert Mitgang. *The New York Times Magazine*, December 5, 1954, p. 17:1.

Five Industrial Relations Myths

A myth, said Noah Webster, is "a person or thing existing only in the imagination." In a relatively short time, the field of industrial relations has become encrusted with layer upon layer of false notions, ill-founded concepts and downright distortions.

Recently, an industrial relations man with a research bent began to collect the myths in labor relations. He is Howard Kaltenborn, vice president of the Industrial Relations Counselors Service. His melange of myth shows how addicted we have become to the "one-sentence solution" to so many of our problems. For example:

The myth of the panacea: "We seem destined always to seek the single answer to the human relations problems in industry," Mr. Kaltenborn observes. "This country is filled with too many people who advocate that the final solution, simple and all-inclusive, is to be found in some one specific formula or program."

The myth that the profit motive is

the root of our industrial relations problems: "Despite all the evidence to the contrary, a surprisingly large number of people continue to believe that elimination of the profit motive would improve employee productivity, eliminate strikes, reduce absenteeism, and improve morale. That such beliefs fly in the face of both experience and logic has not been sufficient to lay them at rest." People who work for the government (national, state, local) are certainly not minions of the capitalist. Yet, morale, abseentism, productivity among these employees can hardly hold a candle to the conditions prevailing in private industry, as comparative labor turnover ratios show.

The myth that better human relations exist in small companies: The true if naive test of good labor relations for the small employer is: "I call my employees by their first name." Men who study labor relations pretty much agree that some of the rankest examples of exploitation and unrest are to be found in companies where the "boss," because of the small operation, has every opportunity for camaraderie with his employees.

The myth that the immediate supervisor is the company to his employees: While no one doubts that the supervisor is an important factor in shaping employee morale, the general policies of the company, behavior of its brass, reputation in the community, all contribute to the worker's *esprit de corps*.

Recently, a large company conducted an attitude survey and discovered to its surprise that employees were quite critical of immediate supervision but were much more favorably disposed towards "the company." Of course, a worker may also be very unimpressed with the front office, but much attached to his supervisor.

The myth that you can't teach an old dog new tricks: "Some organizations persist in imposing age barriers on promotions and new hires. On some grounds such policies may be sound, but to the extent that they are based on the premise that you can't teach old dogs new tricks, the policies are at least questionable. You certainly can't teach an old dog new tricks unless you know more than the dog."

—LAWRENCE STESSIN. *Forbes*, October 1, 1954, p. 22:1.

AMA MARKETING CONFERENCE

The annual Marketing Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, February 7-9, at the Hotel Statler, New York.

Applying Scientific Management in the Office

JAMES F. FOLEY
Director, Products and Methods Research
Remington Rand, Inc., New York

FOR many years American industry has been spending an ever-increasing share of its operating dollars for office operations.

According to government statistics, the number of clerical workers in 1930 was approximately 4 million, or about 8.3 per cent of the U. S. labor force. By 1940, it had reached 4.8 million, or 10 per cent of our labor force; recent statistics indicate that today slightly less than 9 million people are engaged in recording the nation's business on paper. Some projections estimate that as many as a million more clerical workers will be needed by 1955.

Apparently only the life insurance industry has maintained statistics on clerical employment, and these are available only since 1945. During these years the number of policies has increased 26 per cent and the amount of insurance in force has increased approximately one-third. The number of office employees in the life insurance business during the five year period had increased from 110,500 to 145,700, indicating that this industry has kept its clerical requirements in line with increased business.

Conditions in other industries can only be estimated, but it is obvious that clerical forces have increased more rapidly than the number of production workers. One survey of industry reveals an increase of over 50 per cent in the number of accounting-department employees with an attendant increase of 100 per cent in dollar cost.

The ratio of clerical or production workers to the value of manufactured goods is one of the best standards to apply to the efficiency of either clerical or factory workers in determining the dollar output in terms of manufactured goods. For the year 1850 the value of manufactured products in the United States was approximately $1 billion. This was produced by approximately 1 million factory workers and represents $1,000 worth of products per factory employee. It is estimated that about 50,000 clerical workers were required in the factories during 1850; this represents $20,000 of manufactured goods per clerk. In 1950 the output per factory worker had increased to $14,000 but the value per clerk had increased to only $28,000. Granted, the change in value of the dollar accounts in part for the increase in value of goods; however, the fact remains that factory efficiency has increased at a ratio of 10 to 1 as compared with the office.

Moreover, the ratio of clerical to production workers, as reported in a survey of American manufacturers recently made by Seymour Melman of Columbia University, indicates that the

—From an address before the Westchester, (N. Y.) Chapter of the National Office Management Association.

ratio of administrative personnel to production workers has increased from 9.9 per cent in 1899 to 18.2 per cent in 1937 and to 22.2 per cent in 1947.

Both plant and office are engaged in material handling and processing. The plant produces equipment or material to be sold by management; the office produces records, reports to assist management in the intelligent operation of its business.

In view of what has been accomplished in the plant through scientific management, we may assume the same benefits can be brought to the offices, particularly of larger organizations. The adoption of scientific management techniques by office management involves, first, the segregation of planning from operations—which almost always requires, in turn, a full-time methods staff. Occasionally an exception is justified in tabulating machines installations, where the supervisor or methods technician has the know-how and administrative ability to authorize planning changes that conform to the best interest of management policy.

The measurement of clerical output is one of the most effective tools for increasing clerical efficiency and at the same time reducing clerical costs. Clerical standards obtained through work measurement must, if they are to be valid, be obtained through scientific study and analysis. All operations, transportations, storages, inspections, machine speeds, and machine set-up times must be appraised and evaluated, and it is of the utmost importance that these elements, particularly those pertaining to operations, be reduced to units of standard time.

One extremely valuable by-product of this technique is that it brings to light any ineffective utilization of personnel or procedures under the present method of operation. This permits making changes, corrections, deletions, or modifications in the procedure so as to secure a better over-all flow of work that results in less clerical effort, more production, and improved service.

The combination of motion and time study with work measurement offers office management an opportunity to put its human and mechanical resources to greater use. Motion and time studies may be applied separately to the office. Time study is made primarily to set a standard of performance. It is a measurement device and usually presupposes methods simplification through motion study. In other words, after clerks and equipment are working on a basis of maximum utilization, time study standards may be established to determine "a fair day's pay for a fair day's work."

One of the most successful techniques employed by the plant to facilitate productivity and to reduce costs is complete, accurate, and readily available records not only of performance but of performance characteristics. Similar records are of utmost importance to the office.

Statistical sampling procedures enable management to judge the quality of the whole—whether it be factory or office work—by examining a part of it, utilizing this knowledge to improve the quality of all work. This technique should be limited in office work to those operations where the purpose of verification is not primarily to detect and correct errors in work already accomplished but rather to reveal promptly conditions calling for

corrective action, so as to minimize the number of errors in work currently being performed.

A quality control program for verifying clerical work is best employed when (1) the work can be divided into units of substantially the same kind, or there is a large volume, or a continuous flow of such units; and (2) each work unit can be classified as correct or incorrect, or failure to detect every error is not too serious.

Many types of clerical work are such that the number of errors relative to the volume of work performed can be reduced to a certain point without much adverse effect on production; in fact, a steady, even performance is often conducive to a high degree of accuracy. Insistence on even greater accuracy, however, may result in a considerable reduction in hourly production. In that case, if greater accuracy is necessary, it may be cheaper to obtain it by subsequently verifying the work and correcting the errors than to slow down the original work too much.

Statistical sampling applied in the technique known as "ratio delay study" originated in the plant; within the past few years, however, its utilization in the office has been greatly accelerated. This technique is predicated upon observation and analysis of the environment under which the clerical worker operates. No element, whether related to the work or not, is overlooked so long as it is a factor in the clerk's productivity. While it admittedly requires time, effort and expense, the indications are that ratio delay gives management one of the most efficient means of implementing increased clerical productivity and cost reduction.

Only recently the Mutual Life Insurance Company erected a building in New York that is designed around clerical production requirements. The time has come to have office layout placed on the same scientific basis as that of the plant.

Admittedly, many office operations can and should be mechanized. No procedure, however, should be mechanized until it has been subject to detailed investigation and careful analysis. Much manual work is still required, and motion study can bring increases in the output of any manual task.

Comparisons with plant mechanization can be very misleading, as has been shown by Dr. Henry J. Bund of the Research Institute of America. Dr. Bund points out that the cost of the average factory machine is so high that the wages paid to the worker are relatively insignificant, and consequently the problems of mechanization in the plant can be established almost entirely upon the productivity of the machine. In contrast, the average office machine is relatively inexpensive as compared with the salary paid to the worker. For example, an electric typewriter costs approximately \$375, but the salary paid to the average operator is in the neighborhood of \$3,000 —and the added cost of space, heat, related equipment and operating accessories brings this figure well above \$4,500.

Forms deluge the average American business office in a volume that rivals Niagara, at an estimated clerical cost of \$17.00 for every dollar's worth of printed forms. As the raw material of the office work station is paper, here is one of the greatest areas for cost reduction, which has been almost com-

pletely neglected by industry except in a few progressive organizations.

Yet the objectives and operations of a forms control program are neither numerous nor complicated. They are predicated upon simple, sound principles of modern management. Three ends are sought: centralized control of all forms; uniform standards of design, reproduction, utilization and housing; and the elimination of all obsolete, duplicate, and unnecessary forms.

The forms control section should have the responsibility of establishing standards for all forms used by the company. It should review all requirements for new, existing, and revised forms and be responsible for all forms designing.

The cost-reduction potential of form control programs is well documented by the experiences of those organizations which have adopted them. One large oil company eliminated in one year 378 forms from the approximately 3,000 in use when the program was put into effect. A major life insurance company within a five-year period reduced the number of forms by 50 per cent.

Management can save vast sums annually by establishing an active, aggressive program to control the birth, specify the life, and insure the retirement of each record (original and copies) as soon as it has outlived its usefulness.

To originate the record contents of the average five-drawer file costs in excess of $4,500. To justify this investment, management must receive returns directly or indirectly which are many times this "cost of creation." Improved efficiency and decreased costs may be obtained by: (1) controlling the origin of non-essential originals and carbons; (2) establishing a scientific system of file procedure in keeping with the specific requirements of the business; (3) fixing responsibility for supervision of the entire files on a well-trained and qualified individual, and giving that person sufficient authority to enforce correct filing operations and procedures; (4) providing correct equipment to accommodate the system selected and to protect vital records from destruction by fire; and (5) developing and maintaining satisfactory transfer and disposal programs.

Manuals of instruction facilitate the training of new workers and guarantee the retention of proper procedures, regardless of turnover in clerks or supervisors. Without written instructions it is easy for a procedure to become impaired, clerical efficiency to be reduced, and office costs to increase. Since the activity of the employee is usually covered by a job description sheet, the manual of operation should be written from a procedural point of view only. It is worth noting that unless such manuals are kept up to date no useful purpose is served. As a matter of fact, manuals not kept up to date, coupled with changes in supervisory personnel, are detrimental to operating efficiency and may in turn become a source of increased cost.

NOTHING IS IMPOSSIBLE to an earnest group of dedicated public servants. Here's one of the functions listed in an organizational statement of a federal agency: "Reporting non-reportable items on proper forms."
—Personnel Administration 9/54

Financial Public Relations: Vital Tool of Management

THE BROADENING base of corporate ownership over the past half-century, through the investment of equity capital by millions of private individuals, has necessitated adding to management's arsenal of working tools the vital function of financial community and stockholder relations. Wider public ownership has made miniature financiers, suppliers of equity capital, of all of us. And we, the new-type capitalists, do not make the necessary decisions alone; we turn to various groups in the financial community for primary opinion and judgment.

As confirmed repeatedly by stockholder surveys, it is upon the influence of the few thousand individuals who comprise the financial community that the majority of investors, numbering in the millions, buy and sell securities. A recent survey conducted by the Ferro Corporation showed that more than 50 per cent of the company's stockholders relied on the recommendation of someone in the financial community in deciding to purchase the company's securities.

However, the financial community has thousands upon thousands of companies to study for possible recommendation. It is evident that where the company is better known, its securities receive more attention and this in turn is reflected in a more favorable market behavior, in terms of increased trading, a narrower "bid and ask" spread and, very frequently, a better price appraisal of the shares. It is management's obligation to see to it that current and accurate facts and figures—in interesting, informative presentations—are made available directly and continuously.

METHODS AND MEANS

Tested and proven techniques have quite recently been developed to assist corporate management in getting factual information into the hands of the financial community and stockholders, and with an effective impact.

The techniques of financial public relations can be divided into two main categories: printed material and "in person" contact. The foremost printed communication that has equal usefulness and interest to both stockholders and the financial community is a functional annual report. Other such material includes annual meeting reports, interim earnings reports, reprints or summaries of speeches by company officials, articles and advertisements, product folders, brief company histories, and the company magazine.

Exclusively for the financial community are analytical studies; news releases; background data for articles in financial and business publications; and supplementary information for market letters and stock bulletins.

A third category of financial public relations material is that which is particularly directed, by nature of its

content, at the lay stockholders. Progressive proxy material, letters to new stockholders, explanatory stockholder communications, and informative dividend enclosures are some examples.

FUNCTIONAL ANNUAL REPORTS

In preparing an annual report the following list is offered as a practical guide that observes the basic rules:

Informative outside covers. The front cover should be visually attractive and at the same time identify the personality and nature of the company's business. The back cover also warrants special treatment. The presentation on the outside front cover can be carried over as a "wraparound," or the corporation can be identified again by means of a trademark.

Highlights of the year. Many recipients of the report are "on the run." A highlights box at the very beginning (for example, on the inside front cover page) will give this reader a capsule resume of management's achievements during the year. This may be a tabulation or a brief commentary; if a tabulation, it should be presented on a two-year comparative basis.

Inside front cover. This space has been overlooked so frequently as to warrant special mention. The inside front cover page of a periodical has a high readership rating. It is an ideal place for the "highlight" presentation photographs of major events of the year, a product display, a presentation of management's creed, or a description of significant developments of the year.

Chief executive's letter. This section is most effective as a one- or two-page general review of the year and an interpretation of factors influencing the current outlook. It is an excellent opportunity for management to describe accomplishments, policies, plans and prospects, and should serve as a letter of stewardship.

Report on financial operations. Next should come a detailed financial report, covering sales, earnings, taxes, dividends, financial condition, capital structure, and other relevant matters.

Graphic charts. By means of dramatic charts, financial and operating data become more easily understood. Simplified financial statements, using non-technical language, make the company's report more comprehensible to the average reader. In fact, in all sections of the annual report, charts can contribute to readability, analytical clarity, and intelligibility.

OTHER IMPORTANT TOPICS

Among several subjects suitable for individual treatment are these:

Research. This comprises an account of what is being done to increase operating efficiency and to develop new and improved products or services. An appropriate chart would show research expenditures over the years.

Marketing. A description of methods by which the company sells its products or services, mentioning the scope of its distributing organization. A map usually makes an effective illustration.

Production. This might be a section tracing the manufacture of a particular product, emphasizing the importance placed on quality control, or describ-

ing the plants and facilities. Well suited for chart presentation in this section would be expansion of plant area and capital expenditures for plant improvement and maintenance.

Divisions or subsidiaries. Where the organization is so set up, details of activities of each corporate division or important subsidiary provide useful data for both professional and non-professional reader.

Employees. A separate section on personnel should be considered, in view of the growing trend toward employee-stockholders. Copy might refer to labor relations, employee benefits, and interpretation of financial statements in "per employee" figures. Suitable graphics for this section are "length of service," "number of employees" and "investment per employee."

Stockholders. Besides acknowledging the continued support of the co-owners of the company, this section can be used to analyze, in words and charts, the characteristics of the stockholder family in respect to geographical distribution, size of holdings, and major classifications (men, women, financial institutions, etc.).

Center spread. A booklet almost naturally falls open to the center spread. Appropriate content for feature presentation here includes product displays, a flow-chart and/or photographs of some phase of production, new plants or facilities, an organization chart, an industry story, etc.

Comparative statements. A two-year comparative balance sheet and income statement are essential elements of a modern annual report. The report should also provide detailed explanatory comment on the factors contributing to the company's performance, to assure that it will be retained—and used throughout the year—as a complete, authoritative document.

A comprehensive summary of salient operating and financial facts, over an extended period of time, is basic to any security evaluation. Failure to include this material will only mean that reference will have to be made to other sources, perhaps less accurate, less thorough and without the necessary explanations and adjustments.

It may be advisable, in the listing of directors, to include the outside business affiliations of non-officer directors and the number of years each has served. Other information such as the names of the corporation's transfer agent, registrar, legal counsel and auditor, and where the company's securities are traded is usually incorporated on the same page.

Good packaging is essential to successful merchandising. Especially with the busy analyst and his colleagues in the financial community, a distinctive envelope helps make your annual report stand out.

PROXY MATERIAL AND SPECIAL REPORTS

Proxy notices need not be staid legal documents that defy understanding. Simply-written, friendly proxy material, with a cordial letter of invitation to the annual meeting on page 1, will evoke a better stockholder response and encourage shareholder participation.

As only a relatively small percentage of a company's stockholders and other equally interested parties are usually able to attend the annual meet-

ing, the post-annual-meeting report becomes a useful medium of communication. A complete transcript of the chief executive's address, remarks by other members of the management and "questions and answers" from the audience make up this report. It should also make prominent mention—if the facts warrant it—of the percentage of shares represented; a large, favorable response discourages "insurgents." Failure to publish this figure frequently leads to suspicion.

In preparing interim reports, comparative statistics and explanatory comments should be included. Otherwise the report is doing only a partial job. Interim reports provide opportunity to introduce new products, new processes, and other newsworthy developments. It is especially important that brokers on the stockholder list receive a sufficient quantity of these reports (as well as other stockholder communications) to send to each stockholder on their books. Only in this way can the company make certain that every stockholder is kept informed.

ANALYTICAL STUDIES AND NEWS RELEASES

A basic document presenting the entire financial and technical picture of the company and its statistical history, as well as reviewing the industry to which it belongs and the markets served, is the analytical study, which is extremely helpful to the financial community and professional investors.

Certain rules can be followed which will increase the chances of obtaining coverage for your news releases. An all-inclusive first paragraph, with a maximum of fact and a minimum of words, makes it convenient for the editor to lift it out and use verbatim.

Even when relations with the press are very cordial, the news release may receive only cursory or partial treatment in terms of printed space. Thus, a suggestion that can be gainfully and inexpensively employed is to mail copies directly to interested and important brokerage firms, analysts, etc.

Dividend enclosures provide an ideal opportunity to improve relations with stockholders. A special message helps sustain stockholder interest by keeping them informed at a time when the stockholder is in the best possible mood to receive a lasting good impression.

"IN PERSON" CONTACT

Essential to successful financial public relations is regular contact with the groups comprising the financial community. Periodic visits should be made by company officials or financial public relations counsel with the aim of stimulating interest in the company's affairs. Business and financial publications are always looking for stories to write; personal contact enables you to determine what the editors are interested in and helps appreciably in preparation of the story.

Informal meetings between officers of the company and leading members of the financial community are most effective in bringing about a closer, more detailed understanding. Beneficial personal relationships can also be achieved by arranging plant tours for representatives of the financial community and members of the financial and business press.

Constant attention to the statistical and research services insures the accuracy and completeness of the data which these services distribute to their

subscribers. It will also serve to draw their attention to the company's securities.

Perhaps the most important personal contact is made by appearances of management executives before various finance and business groups. Such talks are of considerable aid in acquainting important audiences with company operations and prospects. Foremost of these are the regional groups of the National Federation of Financial Analysts Societies.

Each analyst, trust officer, adviser customers' broker represents hundreds, even thousands of stockholders and investors. Speeches made before such groups should be printed in booklet form and distributed to the entire membership of the group.

CONCRETE BENEFITS

In weighing the value of financial community and stockholder relations, it should be remembered that the minimum market reaction to any influence is $\frac{1}{8}$ of a point, or $12\frac{1}{2}$ cents a share. With the practical gauge in mind, let us consider the monetary gains contributed by effective financial public relations.

Financial public relations is a direct approach to the financial community with the realization that known products receive a more favorable reception than unknown products. On the basis of even a relatively small public offering of $1,000,000, a 2 per cent difference in commission arrangements means an additional $20,000 for the company. With expert guidance and sufficient preparation time, an even greater gain has frequently been experienced.

If, over an extended period, interest in the company's shares has been increased and a more accurate appraisal placed on its value, it may mean an additional $\frac{1}{8}$ or $\frac{1}{4}$ of a point or more per share.

The company's present stockholders are one of the best sources of additional capital in times of public financing. Managements who have been successful in their relations with the co-owners of their companies have been able to place new issues directly with the stockholders, requiring only a standby agreement with underwriters. Moreover, there are manifold occasions in the regular conduct of corporate affairs when the concurrence of the co-owners is required. This can be obtained quickly and "painlessly" if the management is in good standing.

NEW INVESTORS

What of the urgent need to develop new investors in corporate enterprise? This can be achieved by a two-prong offensive. First, the national securities exchanges and their members must continue their nation-wide campaigns to teach the public about investing, using all the available media of communication.

But an equal responsibility in this area rests on the shoulders of each corporation, both for self-gain and public service. In the words of Wayne A. Johnston, president of the Illinois Central Railroad, "The more all of us who are in commerce and industry work toward making business affairs more understandable on the part of the entire American public, the more truly we serve the cause of intelligent capitalism."

—JOACHIM SILBERMANN. *Trusts and Estates* (Fiduciary Publishers, Inc., New York, N. Y.), November, 1954.

How OASI Changes Are Affecting Pension Plans

IN VIEW of the liberalized payments now provided under the Social Security Amendments of 1954, some companies have already revised their pension plans, and many others are seriously considering making changes. In a recent survey to determine the extent of this trend, the Commerce and Industry Association of New York, Inc., found that a significant number—about one-third—of the 206 participating employers are at least considering modifying their own retirement programs in view of the changes. Modifications reportedly are definitely "planned" in only 26 company programs. In 42 other cases changes are being "considered." No changes are planned in 141 programs.

A markedly greater tendency toward modification is shown by companies with "integrated" plans than by those whose pension systems are not tied in with Social Security. Just over half of the firms with integrated plans report they are at least considering changes, while only 10 per cent of the companies with non-integrated programs show any interest in making modifications.

Companies intending to make modifications were asked what form these changes would take. Here are their answers:

1. In eighteen plans, changes will be limited to adjusting to the new $4,200 base figure the formulas under which benefits are integrated with Social Security.

2. In nine plans which provide certain total pension benefits inclusive of all or part of Social Security payments, the level of the total benefit will be increased. (Thirty-eight plans of this type are reported. Companies with 13 of the remaining 29 plans indicate they are considering making changes in their programs. In 14 instances the employers report they plan no changes—meaning presumably that the company portion of the total retirement benefit will be cut when the Social Security portion goes up.)

3. No one with a non-integrated plan reports company benefits will be reduced to offset increased Social Security payments.

4. No one whose plan now is not integrated with Social Security reports an intention to convert to an integrated program.

5. Under only six plans will contemplated changes affect the amounts paid from the company pension fund to employees already retired.

6. Only one company reports an intention to change its vesting provisions.

About 90 of the 141 companies that do not expect to alter their pension plans commented to the general effect that they regard the liberalization of Social Security sympathetically and wish to see their employees derive full benefit from the amendments.

—*Personnel Management* (Commerce and Industry Association of New York, Inc.) 10/14/54

ONE-THIRD of the persons aged 65 or over in this country were receiving benefits under Old Age and Survivors Insurance and related programs at the start of 1953, according to the Twentieth Century Fund; 30 per cent were at work or were the wives of wage earners; 20 per cent were receiving public assistance; 12 per cent had personal income; and 5 per cent were in public or private homes, hospitals and other institutions.

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

REFLECTIONS ON THE EXECUTIVE FUNCTION. *Cost and Profit Outlook* (1401 Walnut Street, Philadelphia 2, Penna.), December, 1954. Gratis. This thoughtful analysis of the chief executive's role in the corporate structure discusses in some detail the organizing, operating, and symbolic functions of top management. To make his organization operate at maximum efficiency, the chief executive must identify himself with his company as completely as possible, an attitude more frequently found among salaried executives, the article points out, than among the company owners themselves. Moreover, the chief executive must appreciate and use the symbols of power inherent in his office, without falling a victim to their lure.

1955: THE BUSINESS OUTLOOK: By Albert T. Sommers. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), January, 1955. 50 cents. According to this economic analyst, 1955 is beginning on a significantly rising trend, with a substantial part of the rise localized in a return to normal inventory practices. He predicts a moderate, steady recovery, composed of a gradual return to normal inventory policy and a slow, normal enlargement of consumer demand. Many of the most powerful influences that brought business conditions to their 1953 peak do not appear to be present in 1955, he finds.

IT CAN PUT MANAGEMENT'S STORY OVER FAST—AT A PRICE. *Business Week* (330 West 42 Street, New York 36, N. Y.). October 9, 1954. 25 cents. Today 88 permanent closed-circuit television stations, located in almost every part of the country, are available to any organization with an important story that must be put across with maximum impact to a widely scattered audience. Though the cost of these facilities may go as high as $10 a viewer for a single show, an increasing number of companies are making use of closed-circuit TV to bring their message to potential customers, dealers, salesmen or other company personnel. Some noteworthy recent examples are cited in this article.

THE FABULOUS FUTURE. By David Sarnoff. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), January, 1955. $1.25. This first of a series of articles by distinguished American leaders on the outlook for the next quarter-century predicts that tremendous social as well as material gains will result from America's rapidly advancing technology. But this progress, as Mr. Sarnoff sees it, is contingent upon one condition: that national policy be directed toward an early and satisfactory end of the cold war—the only guarantee, he believes, against a disastrous shooting war.

HOW TO PICK 'EM. *Industrial Development* (5009 Peachtree Road, Atlanta, Ga.), November-December, 1954. 25 cents. Plant site selection has become a major management activity at Westinghouse Corporation in the past decade, for during this period the company has been involved in a tremendous expansion program entailing the addition of 34 new plants. This case account describes the intensive studies the company conducts before deciding on a location, and points up some of the special problems the company has learned to anticipate before it sets up shop in a new community.

13 WAYS AN EXECUTIVE'S WIFE CAN HELP HER HUSBAND SUCCEED. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), October 1, 1954. 50 cents. On the premise that "there is a technique to being a good executive's wife," this article—based on the opinions of successful executives and their wives—sets forth 13 requirements for the ideal helpmate.

INDUSTRIAL RELATIONS

THE ROLE OF A FREE PRESS IN EMPLOYEE COMMUNICATIONS. By Lewis H. Spence. *Personnel Journal* (Swarthmore, Penna.), December, 1954. 75 cents. Defining a free press as "(1) free access to, and exchange of information, and (2) respect for the audience," the author shows how the house organ can become business' free press for employees. To do a real job, however, able editors must have top management's cooperation and must know what they are expected to communicate and why. Management has not only neglected its house organ editors, the author points out, but has consistently underestimated its employees' intelligence in failing to offer them significant information in interesting, readable form.

UNIONS AND THE PROFESSIONAL EMPLOYEE. By Bernard Goldstein. *The Journal of Business*, University of Chicago (University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill.), October, 1954. $1.75. While the extent of unionization among engineers, scientists and other professional workers is not numerically large—comprising less than 10 per cent of those eligible—the author foresees a continuing trend in this direction for three major reasons: increasing specialization of professional jobs, with the result that they are less satisfying in terms of interest and job pride; the lag in professional salaries, which compare unfavorably with the earnings of lower-skilled groups; and the absence of effective personnel programs for professional employees.

HOW FOREMEN GET THAT WAY. By Alfred G. Larke. *Dun's Review and Modern Industry.* (99 Church Street, New York 8, N. Y.), January, 1955. 75 cents. Far from being strongly identified with their company, future foremen—before promotion—were more anti-company, as well as anti-union, than the average worker. Similarly, future union stewards—before election—were more anti-union, as well as anti-company, than the average. These are just two of the many highly interesting findings that emerge from an intensive research study conducted in a large manufacturing company, by the Survey Research Center, University of Michigan. Both foremen and stewards, it was found, rose to positions of leadership on the strength of their personal ambition, and such loyalties as they later developed were the result of their attempts to behave as they were expected to behave in their new roles.

ARE STRIKES NECESSARY? By Arthur R. Porter, Jr. *Labor Law Journal* (214 N. Michigan Avenue, Chicago, Ill.), December, 1954. $1.00. Commenting on the widespread popular support of compulsory government intervention in labor-management disputes, as shown by several public-opinion polls, the author declares that strikes are necessary to the functioning of a free economy. Any attempt to prohibit them, he believes, would result in an undesirable restriction on private enterprise and collective bargaining.

HUMAN RELATIONS AND THE ORGANIZATION OF WORK. By Leonard R. Sayles. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor), November, 1954. Gratis. A discussion of the physical organization of work and work groups, as it affects human relations on the job. Contact and interaction between workers on related jobs is an important factor in determining their level of productivity, a number of studies show, and even such "artificial" means of interaction as the coffee break, which is still frowned upon by some managements, may actually redound in the long run to over-all productivity.

TECHNIQUES FOR LEADERSHIP SELECTION. By A. G. Arbous. *Personnel Administration* (Prince and Lemon Streets, Lancaster, Penna.), September, 1954. 40 cents. To avoid the shortcomings of the customary questionnaires and self-rating techniques used in selecting administrative personnel, the National Institute of Personnel Research employed a test battery comprising pencil-and-paper tests, individual and group socio-dramatic tests, projective techniques, and a clinical interview in selecting a group of administrative trainees. It was found that 57.7 per cent more of the selectees were successful than would have been the case if selection had been made on the basis of pure chance.

OFFICE MANAGEMENT

HOW ELECTRONIC MACHINES HANDLE CLERICAL WORK. By Arthur A. Brown and Leslie G. Peck. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), January, 1955. 75 cents. By showing how one fundamental clerical job—the payroll operation—would be handled, first, by a clerical worker equipped only with pencil and worksheet, then by electronic machinery, and finally by punch-card machines, the author attempts to provide some perspective on the uses of electronic machines in the office. The process of changing over to an electronic record-keeping system begins with a step-by-step study of each operation and ends with a division of responsibility that allows the system to run independently of any one individual.

GUIDE TO BETTER OFFICES. By Kenneth H. Ripnen. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), December, 1954. 35 cents. This article, which is concerned primarily with office space as a corporation would supply it for its own use, not as a speculative builder would furnish it, offers information on such topics as planning offices in city skyscrapers and in rural communities, leasing office space, planning new layouts, designing interiors, conditioning the work space, and contracting and supervision. Photographs and diagrams accompany the text.

HOW STANDARD TIME DATA CONTROLS OFFICE COSTS. By Edmond W. McNamara. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), January, 1955. 50 cents. An explanation of the use of standard time data as a means of eliminating unnecessary overtime, establishing proper staffing, and increasing departmental efficiency. The author shows how the application of clerical work measurement in one office resulted in the elimination of 72 hours of overtime, a significant reduction in staff, and a 17.5 per cent rise in departmental efficiency.

AUTOMATION IN THE OFFICE. By Robert M. Smith. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), January, 1955. 35 cents. Predicting that the "Second Industrial Revolution" will have become a reality when certain of today's advanced systems are integrated with the use of giant electronic computers, the author tells what equipment manufacturers are doing to hasten this event. Electronic computers, in addition to taking over many routine office functions, will make it possible to concentrate in one place functions now spread over the general office, the research laboratory, and the production facilities. Automation may thus transform the office from an appendage of the factory into the "brain" on which all company operations depend.

PRODUCTION MANAGEMENT

AUTOMATION IS SURE TO MAKE MONEY FOR SOME COMPANIES. Ford, Bacon & Davis, Inc., 39 Broadway, New York 6, N. Y. Gratis. A rather general review of developments in automation to date, its possibilities for the future, its characteristics, and its advantages. Among the instances cited here in which output per man-hour was remarkably increased through automation is the automobile factory where one operator now does the work previously done by 35.

HOW TO ESTIMATE MAINTENANCE JOB COSTS—ON THE NOSE. By Donald M. Sauerman. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), December, 1954. 50 cents. Describes a system used by one company that enabled it to estimate the cost of maintenance jobs within 2 per cent last year. Key to the system is a planning group that develops preliminary plans for the work, prepares a cost estimate, issues work orders, and supervises the work.

PROFIT IS THE REAL YARDSTICK OF DESIGN. *Steel* (Penton Building, Cleveland 13, Ohio), November 22, 1954. 50 cents. Design can be used both to make a product more attractive and to cut production costs in its manufacture. This article presents a program for achieving both goals, covering such steps in product design as developing ideas, establishing a schedule, setting up objectives, and evaluating the product itself. About 90 per cent of an effective design team can usually be found within the company itself—in the production, methods, testing, and sales departments—the author declares.

THE TROUBLE WITH ENGINEERS. By George S. Odiorne. *Harper's Magazine* (49 East 33 Street, New York 16, N. Y.), January, 1955. 50 cents. A university adviser to industry, looking at the "engineer shortage," declares that the present need for engineers is not merely for more of them, but for more of them who can fit effectively into the non-engineering world. Arguing that the pure technician is becoming an anachronism, the author believes that the engineer's over-all usefulness to society will be increased by greater exposure to economics, literature, psychology, history, and as much purely general information as he can absorb.

PLANT MAINTENANCE IS EVERYBODY'S PROBLEM. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1955. 50 cents. This 31-page feature presents three detailed case studies of maintenance programs in typical large-, medium-, and small-size plants, followed by a special section on setting up incentives for maintenance jobs. The importance of efficient maintenance management is brought out in a survey of company practices which indicates, among other findings, that maintenance workers comprise as much as 17 per cent of the total factory workforce in some industries.

MARKETING AND SALES MANAGEMENT

U. S. MARKET EXPLOSION CAN CONTINUE FOR NEXT 10 YEARS. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), January 7, 1955. 25 cents. Based on the new report of the staff of the Joint Committee on the Economic Report, this highly optimistic forecast points to dramatic increases in population, employment and consumption in the next decade, with Gross National Product up almost 50 per cent by 1965. For the individual company, the editors emphasize, this demands immediate attention to long-range sales and advertising planning if they are to capture their share of the new market.

SELL LIKE A CHAMPION WHEN YOU TAKE YOUR BUDGET TO MANAGEMENT! By William R. Kelly. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), October 15, 1954. 50 cents. Though an effective selling job is just as necessary in obtaining an adequate sales budget as in marketing a product, the sales department is frequently outsold by other departments when it appears before top management to discuss its needs. The author offers several suggestions on planning, organizing, and giving visual appeal to a budget-selling presentation. Because a presentation overloaded with details can destroy the major points to be made, additional documentation should be made available for later or prior reading, the author advises.

SHOULD FAIR TRADE BE DISCOUNTED? *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), December 3, 1954. 25 cents. The discount house is here to stay, in the opinion of a group of sales executives queried recently. Their remarks, quoted in this article, indicate that there is no "solution" to the discount house problem, though the appliance manufacturers are still hoping to eliminate discounting by preventing their merchandise from getting into cut-price stores.

ECONOMICALLY THE NEGRO GAINS—BUT HE'S STILL LOW MAN. *Business Week* (330 West 42 Street, New York 36, N. Y.), December 18, 1954. 25 cents. This feature-length report on the economic status of the Negro today examines recent population shifts and employment and income trends which promise to have far-reaching effects on this growing market.

THE SALESMAN WHO THINKS HE KNOWS HOW TO SELL IN ALL SITUATIONS . . . *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), December 1, 1954. 50 cents. Sales training is a continuous process at Minneapolis-Honeywell Company, whose program for on-the-job development of area sales managers and their field salesmen is detailed here. Of special interest are the methods whereby the company has made training palatable to experienced salesmen and managers who understandably may feel that they have little new to learn from a company training program.

HOW TO MAKE MONEY FROM SMALL ORDERS. By Donald R. Longman. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), November, 1954. 75 cents. Because the average manufacturer derives 70 to 80 per cent of total dollar sales from a mere 20 to 25 per cent of the company's orders, it is important to know just how profitable small orders really are and where the point of diminishing returns is reached. The author makes some practical suggestions for segregating profitable small orders from "cats and dogs" and concludes with a checklist of 35 pointers for reducing their handling costs.

FINANCIAL MANAGEMENT

PRESENTING ACCOUNTING INFORMATION TO MANAGEMENT. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), December, 1954. 75 cents. Presents the findings of a recent research study dealing with accounting reports as a tool for communicating financial information to all levels of management. Drawing upon the experiences of 30 leading companies, this study shows that the company organization plan is the principal guide in determining what information is relevant to the administration of a given operating responsibility. Exhibits and case examples are used to illustrate the selection and proper use of communication media.

COMPENSATION OF EXECUTIVES UNDER THE 1954 CODE. By Harry J. Rudick. *Taxes* (214 North Michigan Avenue, Chicago 1, Ill.), January, 1955. 60 cents. Discusses the provisions of the new tax code which affect executive compensation, with particular reference to those changes in the law relating to stock option agreements. After reviewing, first, the characteristics of stock option agreements which meet the requirements of the Code and, second, judicial developments relating to other stock option agreements, the author concludes that for the venturesome employee a nonrestricted option, with all its advantages, may be indicated, while for the employee who dislikes speculation the more commonly-used restricted stock option may be a wise choice.

BUSINESS FINANCES A NEW AUTONOMY. By George Soule. *Challenge* (32 Broadway, New York 4, N. Y.), January, 1955. 20 cents. Sixty-four per cent of all funds used for industrial expansion since 1945 have come either from undistributed profits or from allowances for depreciation, amortization, and depletion—in short, from the corporations themselves. The author discusses some of the reasons behind this trend toward self-financing, concluding that if it continues, successful corporations will eventually depend entirely on the consumer for their income rather than on shareholders.

TAX PITFALLS IN PENSION AND PROFIT-SHARING PLANS UNDER THE INTERNAL REVENUE CODE OF 1954. By Meyer M. Goldstein. (Pension Planning Company, 260 Madison Avenue, New York 16, N. Y.). A detailed review of the effects of the new tax law on various types of pension plans, with suggestions for modifying plans so as to avoid tax penalties.

FORGING THE TOOLS OF COST CONTROL. By Robert C. Perry. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), January, 1955. 75 cents. Placing on accounting management the responsibility for providing general management with the means of cost control and seeing to it that these means are used, the author strongly emphasizes the need for a comprehensive control program embracing all company activities. He discusses the seven major requirements for such a program.

THE CONTROLLER REPORTS TO MANAGEMENT. Controllers Institute of America, Inc., One East 42 Street, New York 17, N. Y. 1954. $1.00. A collection of papers by experts in their respective fields, dealing with (1) general problems in communicating financial facts to top management; (2) reporting to management on cash position and cash forecasts; (3) reporting to management on manufacturing costs; (4) reporting to management on capital expenditures; (5) reporting to management on sales; and (6) reporting to management on labor costs for negotiation purposes.

PRINCIPLES OF DIRECT COSTING. By W. R. Wright. *Cost and Management* (Society of Industrial and Cost Accountants of Canada, 66 King Street East, Hamilton, Ontario), October, 1954. 50 cents. The principle of direct costing as a basis for financial reporting and cost analysis has been advocated by many accountants and regarded with serious reservations by others. The author, an advocate of the method, discusses the basic philosophy and essential characteristics of direct costing, as well as its effects on inventory valuation and financial reporting.

INSURANCE MANAGEMENT

GROUP INSURANCE TYPES AND COSTS HAVE CHANGED IN LAST FEW YEARS. By Wendell Milliman. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), December 25, 1954. 25 cents. Outlines recent developments affecting the types and cost of group insurance, as well as legislation dealing with the tax treatment of benefits and the amount of group insurance that can be issued on the life of an employee. Major medical expense insurance, one of the most recent group insurance developments, requires the cooperation of the public, the medical profession, and the hospitals if it is to work satisfactorily, the author points out.

DO YOU HAVE AN EMBEZZLER ON YOUR PAYROLL? By Charles W. Keysor. *Commerce* (1 North LaSalle Street, Chicago, Ill.), November, 1954. 35 cents. With trusted employees taking an estimated $500 million a year out of their employers' tills, it is to every business man's obvious advantage to learn what steps can be taken to prevent this all-too-common form of crime. This article describes the tricks usually used by embezzlers and lists several precautionary measures the employer should take.

MODERN DETECTION AND CONTROL OF FIRES. By Arthur W. Sullivan. *Safety Maintenance and Production* (75 Fulton Street, New York 38, N. Y.), November, 1954. 50 cents. The majority of 1953's large-loss fires involved delay in discovery, delay in summoning fire-fighting equipment, or both. Illustrated with numerous examples of serious fire losses attributable to human failure, this article presents the case for automatic fire detection and control equipment. When properly installed, supervised, and maintained, automatic sprinklers provide the highest possible degree of fire protection, the author maintains.

WHAT NOT TO BUY IN BUSINESS INTERRUPTION INSURANCE. By Robert M. Dewey. *The National Insurance Buyer* (Hotel Martinique, 32 Street and Broadway, New York 1, N. Y.), December, 1954. Gratis. Since a business interruption insurance policy should be carefully tailored to fit a company's needs, the author advises the insurance buyer to familiarize himself thoroughly with his company's operations —even to the extent of obtaining a flow chart—before he purchases any insurance. He then describes the pitfalls in buying business interruption insurance.

HOW INDUSTRIAL FIRES CAN BE AVOIDED. *Pacific Factory* (709 Mission Street, San Francisco, Calif.), December, 1954. 50 cents. A high percentage of annual fire loss could be eliminated through careful attention to plant fire protection measures coupled with industrial design aimed at maximum fire prevention. This article provides a number of specific suggestions on building location, construction, and layout, the location of hazardous processes, and safeguards against special hazards.

Survey of Books for Executives

THE PRACTICE OF MANAGEMENT. By Peter F. Drucker. Harper & Brothers, New York, 1954. 404 pages. $5.00.

*Reviewed by Leo Teplow**

Those management specialists whose horizon is limited to their particular area of specialization will avoid this book, for it deals with the broad problems of management as the "Most Important Function in American Society," in the words of its subtitle. But those whose interest in management is broader than the task or assignment of the moment cannot help but gain valuable insights and a better understanding of their own role in their company and in society by a careful reading of this book.

In undertaking this study of *The Practice of Management,* Peter Drucker has made a searching review and analysis of management as it is practiced today in order to distill the necessary general concepts, develop the right principles, and show the basic patterns for the management task of tomorrow.

That is a large order. Few are equipped to undertake it. Professor Drucker is one of those few. His background includes international banking economics, economic consultation for banks and insurance companies, and intimate probing of corporate policies and management structure, as a management consultant to various large companies. What is more important, he is the possessor of a keen intellect, an original turn of mind, and a healthy disregard for the accepted truisms and shibboleths underlying the basic assumptions concerning management that many of its practitioners hold dear.

Peter Drucker attacks standard assumptions with intellectual vigor and enthusiasm. Building on the basis of his earlier works, *Concept of the Corporation,* and *The New Society,* he displays a remarkable ability to accept and develop the logical conclusions that flow from his analysis. His iconoclasm is that of the logician rather than the sensationalist, the scientific researcher rather than the seeker of headlines.

Professor Drucker regards management as an economic organ which determines how well or ill an enterprise fulfills its essential function: economic performance. His basic assumption is that in determining the economic performance of an enterprise, the manager can improve his performance through the systematic study of principles, the acquisition of organized knowledge, and the systematic analysis of his own performance. This impact of the manager on modern society is so great "as to require of him the self-discipline and the high standards of public service of a true professional."

Within the economic realm, Drucker's view of management requires more than mere passive adaptation to changing conditions. "It is management's specific job," he says, "to make what is desirable first possible and then actual. Management is not just a creature of the economy; it is a creator as well."

Since management's job is to make a productive enterprise out of men and materials, it accomplishes its mission by managing managers, who will be effective in fulfilling the two major functions of any business enterprise: to

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create customers and to innovate. These, according to Drucker, are the two entrepreneurial functions.

Management must know the function of the enterprise it is managing—a matter that is not so obvious as it first appears. Is the function of a telephone company to sell telephones or to render a communication service? The answer may well determine the survival of the company as a private enterprise.

Every business, according to Drucker, should set objectives in every area where performance and results directly and vitally affect the survival and prosperity of the business. The eight areas in which objectives of performance and results have to be set in every business are: market standing; innovation; productivity; physical and financial resources; profitability; manager performance and development; worker performance and attitude; public responsibility. The last three areas constitute the major considerations of *The Practice of Management.*

Managers, says Professor Drucker, are the basic resource of the business enterprise, and its scarcest resource. This resource is also the most expensive, has the fastest rate of depreciation, and needs the most constant replenishment. Managers, in short, should be the top executives' most vital concern in insuring the present and future success of the enterprise. Drucker finds it a serious mistake for "personnel management" to concern itself primarily with the rank-and-file employee, while the company's major resource—its management—is largely left out of consideration.

The manager's job should be so structured as to permit management by objectives and self-control. This requires that the manager's job—every manager's job—be so organized that his department's contribution to the overall objectives of the business is carefully defined. He himself should be asked to define it, and also to set forth his department's responsibility to other departments and what assistance he can rightfully expect from them in turn. Then he must be given authority commensurate with his responsibility for the outlined objectives and the tools by which to measure his performance and prepare toward the objectives. Once objectives are set, management by self-control becomes possible, in place of management by domination.

Drucker makes short shrift of the theory of delegation of authority. In his view, the jobs of higher management are derivative and should be designed to help "the firing-line manager do his job." It is the latter in whom all responsibility and authority center (in theory).

When he turns to consideration of the chief executive's job, Drucker goes all out in favor of a team rather than a one-man operation: "There is only one conclusion: the chief-executive job in every business (except perhaps the very smallest) cannot properly be organized as the job of one man. It must be the job of a team of several men acting together."

Nor is the board of directors beyond Drucker's analytical scalpel. Despite the broad authority to act vested in it by law, Drucker concludes that, except in case of emergency, the board's function should be that of an organ of review, of appraisal, and of appeal.

In discussing management development, Drucker steers away from the static concept of mechanical rotation or mere provision for replacement of managers. Development must be self-development (just as the most effective control is self-control), and must focus on performance and challenge to growth. The most important function of any manager is the review of the

performance of his subordinate managers, and determination of the manner in which he can best contribute to their self-development.

Drucker also tilts his lance at the prevailing concept of line and staff organization. Believing as he does that a manager should be fully responsible for results in his department, he holds that all service functions must report to him, and that the headquarters staff should consist of a very few people who should: (1) spell out what a manager can expect from the service people he selects as his service specialists; (2) train such service specialists; and (3) engage in research in the service area. The headquarters staff should *not* provide the service, however.

Perhaps the most controversial—and the most provocative—phases of Drucker's philosophy are presented in the chapters entitled "Employing the Whole Man" and "Is Personnel Management Bankrupt?" In the first of these, Drucker insists that employee motivation and voluntary cooperation are to be obtained, not through work simplification and the theory of "a fair day's pay for a fair day's work" but rather through job enlargement and a challenge to the employee's sense of responsibility. In fact, Drucker goes so far as to demand of the employee the kind of responsibility usually reserved for managers.

In the second of these chapters, the author concludes that the major problems of managing worker and work under the new technology will be to enable the worker to do a complete and integrated job and to do responsible planning. (Which, to this reviewer, seems a goal not possible of attainment in our time.) Personnel management may not be bankrupt, Drucker concludes, but it is certainly insolvent. However, there is hope for the future.

The use of scientific management to analyze work and its requirements is good. But once analyzed, work should be *integrated* in actual operation in such a way as to make it interesting and challenging to the individual or small group of individuals who will perform the work. What is mechanically efficient and productive may be humanly stultifying and inefficient in end results.

The highly responsible worker Drucker visualizes can be developed by careful placement, high standards of performance, provision of information by which the worker may control himself, and opportunities for such participation as will give the worker managerial vision.

In order that the employee may identify his interests with those of the company, Drucker insists that it is essential that management commit itself to maintain jobs (without going to the extreme of the guaranteed annual wage). While some companies have done so successfully, it seems clear to this reviewer that the practicability of such a commitment depends largely on the nature of the industry. There can, of course, be no cavil with the position that concern about continuity of employment and employee income should rank high in the list of management problems requiring urgent attention.

Drucker's solution for the ambivalent position of the supervisor goes to the root of the problem. Instead of telling the manager he is a member of management, says Drucker, make him a manager. Give him wider scope, enlarge his department, provide him with specialized clerks and assistants *who report to him* (rather than dilute his responsibilities by assigning functions to staff members reporting elsewhere). Make his job big enough to warrant the kind of assistance a manager should have, large enough to make his department subject to definite objectives and tests of achievement. Then let the manager

manage. Such an organization would offer a real challenge to the incumbent, and yet give him the help he needs without robbing his job of significance. And, as a desirable byproduct, the number of levels in the management hierarchy will be greatly reduced, bringing the rank and file employees closer to the top management group.

Drucker's analysis of the work of the manager results in the conclusion that, because the manager deals with people, it is not enough that he know how to set objectives, to organize work, to motivate, to measure results, and to help people develop themselves; he must also have personal integrity. "It is vision and moral responsibility that, in the last analysis, define the manager."

Finally, in the area of public responsibility, Drucker believes that modern management must succeed in harmonizing public and private interest "by making what is the common good coincide with its own self-interest." The American Revolution of the Twentieth Century, he says, was to develop a form of capitalism in which the objective of management has increasingly become so to manage the private enterprise as to make the public good become the private good of the enterprise.

Professor Drucker writes as brilliantly as he thinks, interspersing his thesis with dozens of case histories which include historical sketches of our major corporations. Sentences and paragraphs beg to be quoted. Here is just one, explaining profit in the modern context of an age of automation:

> Indeed, profit is a beautiful example of what today's scientists and engineers mean when they talk of the feed-back that underlies all systems of automatic production: the self-regulation of a process by its own product.

Not the least valuable part of the book is a highly selective, concise bibliography of the literature of modern management.

Most managers and students of management will find in *The Practice of Management* what is probably the most stimulating and thoughtful book in the over-all management field. It will be particularly valuable to practicing managers, for management experience is an excellent vantage point from which to evaluate the author's conclusions and consider their practicability.

WILDCAT STRIKE. By Alvin W. Gouldner. The Antioch Press, Yellow Springs, Ohio. 180 pages. $3.00.

*Reviewed by Lawrence Stessin**

This is a study of a wildcat strike in an anonymous plant in an anonymous city, run by an anonymous management and manned by anonymous workers. The author, however, is not anonymous; he is Alvin W. Gouldner, Associate Professor of Sociology at the University of Illinois.

The social scientist is constantly striving for the status and recognition accorded his brethren in the physical sciences. But he'll never achieve it if his researches are shrouded in a mantle of pseudonyms. A wildcat strike is not a social shame by any means. It happens in the best—and worst—of organizations. It is this reviewer's opinion that there are a host of companies in this country which would gladly lend their aid and names to sociologists and others intent on studying a phenomenon of "sudden walkout."

Industrial management is becoming less shy about airing its problems among its own kind and is making considerable advances in communicating its policies and practices to the outside world. There was a time—hardly more than ten years ago—when management

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considered its union contract sacred information and would never openly permit its circulation outside the plant. Now, any labor agreement is practically yours for the asking. Similar openmindedness is apparent in the field of research. International Business Machines, Prudential Life, Western Electric, General Electric, and hosts of others have played "open house" to social scientists seeking data on sensitive labor relations matters. The findings, many of them not laudatory, were released and published in the interest of research progress in industrial relations. Whatever Dr. Gouldner's reasons for camouflaging the identity of the "General Gypsum Company," the reader can hardly help feeling annoyed and frustrated at this seemingly unnecessary secrecy.

The content of *Wildcat Strike* ranges from the obvious to the obscure. Sample (obvious): "A wildcat strike is a distinctive type of social tension." Sample (obscure): "Tensions in the relationship between Ego and Alter will increase when the fulfilling of Alter's expectations generates tensions for Ego; that is when Ego is unable to fulfill Alter's expectation." In his introduction, Dr. Gouldner acknowledges a debt of gratitude to Sigmund Freud. Dr. Gouldner has adopted much of the Freudian terminology in describing the tensions that lead to a wildcat strike. But this reader in particular would have welcomed some of Freud's clarity of phrase, sharpness of insight, and under-emphasis on scientific jargon.

To be utterly shameless about it, this reviewer doesn't understand what Dr. Gouldner has discovered as to the causes of wildcat strikes. His "Theory of Group Tensions" is no aid to the mere practitioner in labor relations. Many erudite persons may well find *Wildcat Strike* an important contribution to the understanding of industrial conflict. But the practicing industrial relations man will find little help in turning to this book while his machine shop crew are laying down their tools and stomping out of the plant without notice.

Book Notes

[Please order books directly from publishers]

MANAGING THE FEDERAL DEBT. Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. 1954. 40 pages. Single copies gratis. This new study considers the federal debt structure and its effect on the U. S. economy. The result of 18 months of research and discussion involving many of the nation's leading business men and economists, it advances a long-range program for reorganization of the federal debt structure in ways designed to help counter inflation and deflation.

THE DICTIONARY OF BUSINESS AND INDUSTRY. Edited by Robert J. Schwartz. B. C. Forbes & Sons Publishing Co., Inc., New York, 1954. 607 pages. $7.95. Contains more than 45,000 definitions of technical, industrial, and trade terms (a number of which are listed for the first time in this volume), drawn from a wide variety of industrial sources, government agencies, standard reference works, manuals, and trade journals. An introductory section provides some 18 miscellaneous tables of weights and measures, currencies, conversion factors, foreign exchange terms, etc.

PENSION PLANNING: ***Experience and Trends.*** By Walter J. Couper and Roger Vaughan. Industrial Relations Counselors, Inc., New York, 1954. 245 pages. $5.00. This monograph, embodying the findings of the fourth study of pension practices made over a 25-year period by Industrial Relations Counselors, Inc., sets forth the record of prevailing pension practices from analysis of the pension plans of nearly 500 companies with more than 3.5 million participating employees. The authors evaluate basic pension policies and alternative plan provisions, trace and appraise current trends (they deplore, for example, the increasing popularity of noncontributory plans), and explore in non-technical language the factors that must be weighed in reaching decisions about the adoption or revision of pension plans. Practitioners and students in the pension field will find this a useful and comprehensive reference work and guide to a working knowledge of the intricacies of pension planning.

DYNAMICS OF GROUPS AT WORK. By Herbert A. Thelen. University of Chicago Press, Chicago, 1954. 379 pages. $6.00. Designed as a basic text for those concerned with group action, this volume comprises material gathered from the seven years' experience of the University of Chicago's Human Dynamics Laboratory. Part I of the book, which describes and analyzes successful practice in six fields of group action, includes a discussion of group responsibility and individual autonomy in administration and management. Part II offers a systematic explanation of the principles and concepts underlying the practical applications.

Publications Received

[Please order directly from publishers]

EMPLOYEE PERSONNEL PRACTICES IN COLLEGES AND UNIVERSITIES: ***1953-1954.*** A Survey Completed Under the Sponsorship of the College and University Personnel Association, 809 South Wright Street, Champaign, Ill. 1954. 190 pages. $4.00.

LABOR-MANAGEMENT CONTRACT PROVISIONS, 1953: ***Prevalence and Characteristics of Selected Collective-Bargaining Clauses.*** Bulletin No. 1166. Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 22 pages. 25 cents.

GUIDE TO SELECTED READINGS IN RECORDS MANAGEMENT. National Records Management Council, Inc., Technical Information Service, 50 East 42 Street, New York 17, N. Y. 1954. 28 pages. $2.85.*

* A listing of this publication in the January issue of THE MANAGEMENT REVIEW erroneously indicated that it was available free of charge. The price given above is correct.

BUSINESS APPLICATIONS OF ELECTRONIC MACHINES: ***An Annotated Bibliography.*** Prepared and Published by Controllership Foundation, Inc., One East 42 Street, New York 17, N. Y. 1954. 46 pages. $2.00.

FINANCIAL PUBLIC RELATIONS: ***For the Business Corporation.*** By Herman S. Hettinger. Digested by Paul Haase. Controllership Foundation, Inc., One East 42 Street, New York 17, N. Y., 1954. 42 pages. $1.00.

LIFE INSURANCE FACT BOOK: ***1954.*** Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. 112 pages. Gratis.

STATE MINIMUM-WAGE LAWS AND ORDERS: ***March 2, 1953 to July 1, 1954.*** Supplement to Bulletin 247. United States Department of Labor, Washington 25, D. C. 38 pages. 50 cents.

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